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The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "Accountability, management improvement and oversight in the United Nations system (Part one: Overview and analysis)" (JIU/REP/95/2).

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ACCOUNTABILITY, MANAGEMENT IMPROVEMENT, AND OVERSIGHT IN THE UNITED NATIONS SYSTEM

Part I. Overview and analysis

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CONTENTS

		Paragraphs	Pages
	Acronyms		iv
	EXECUTIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS		v
I.	INTRODUCTION	1 - 13	1
II.	INTERNAL OVERSIGHT UNITS	14 - 63	5
	A. Internal audit	18 - 30	5
	B. Internal evaluation	31 - 36	8
	C. Management services, inspection and investigations	37 - 52	9
	D. Finding a proper balance	53 - 63	12
III.	MANAGEMENT SYSTEMS	64 - 97	16
	A. Internal controls	65 - 79	16
	B. Information technology	80 - 97	19
IV.	HUMAN RESOURCES MANAGEMENT	98 - 126	23
	A. Management development and training	107 - 115	24
	B. Management improvement programmes	116 - 126	26
V.	STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT: THE INTEGRATED MANAGEMENT OF CHANGE	127 - 161	29
VI.	INTER-AGENCY ACTIVITIES	162 - 177	37
VII.	EXTERNAL SYSTEM-WIDE OVERSIGHT BODIES	178 - 215	41
VIII.	OVERSIGHT GOVERNING BODIES	216 - 245	48
	A. Governing body oversight activities	217 - 230	48
	B. Reporting and external review	231 - 245	50
	Notes		55

ACRONYMS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACCIS	Advisory Committee for the Co-ordination of Information Systems (replaced by ISCC)
ACC	Administrative Committee on Coordination
CCAQ	Consultative Committee on Administrative Questions
CCPOQ	Consultative Committee on Programme and Operational Questions
CPC	Committee for Programme and Coordination
ECA	United Nations Economic Commission for Africa
ECE	United Nations Economic Commission for Europe
ECOSOC	Economic and Social Council
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMO	International Maritime Organization
ISCC	Information Systems Co-ordination Committee
ITC	International Trade Centre UNCTAD/GATT
ITU	International Telecommunication Union
JCGP	Joint Consultative Group on Policy
JIU	Joint Inspection Unit
TQM	Total Quality Management
UNCHS (HABITAT)	United Nations Centre for Human Settlements
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees, Office of the
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

EXECUTIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The organizations of the United Nations system have been given critically important new roles and tasks during the 1990s, in a period of extraordinary international political, economic, and social turmoil. Their traditional negotiating, standard-setting, research, and development co-operation functions have been suddenly joined by demands for new, complex operational programmes. These new demands include major peace-making, peace-keeping and special missions; more and more large-scale humanitarian operations; incisive global action programmes in many other critical areas such as the environment, AIDS, and human rights; and reformed and much more responsive development co-operation programmes at the field level worldwide.

To deal with these new tasks, the United Nations system has been entrusted with vastly-increased resources (system-wide expenditures rose from about $US9.4 billion to almost $US12.8 billion just from 1991 to 1993). Both donor and recipient countries have increasingly insisted that these new programmes, and indeed all the programmes of all international organizations, provide maximal effectiveness and minimal waste. This pressure for results is multiplied by the life-and-death urgency of many of the new programmes. There are also severe constraints on public funds available for international programmes during a period of worldwide economic uncertainty, and increasing competition with other organizations that also implement these programmes around the world.

There has never been a comprehensive review of accountability, management improvement, and oversight activities within the United Nations system. Such a review seems particularly timely now in light of the above performance pressures, new initiatives under-way in various organizations, and calls for improvement from many sources. In short, it seems increasingly urgent that the organizations clearly demonstrate wise resource use and programme responsiveness, because the pressures for high-quality performance will quite probably only intensify.

This Joint Inspection Unit (JIU) report provides an analysis (in Part I) and comparative data (in Part II) on the mosaic of accountability, management improvement, and oversight efforts in the organizations of the United Nations system. It is only an initial "baseline" survey. There is no uniform model. Each organization must develop its own processes and perspectives to meet its own needs and circumstances, although the Inspectors urge them to take two pivotal steps (recommendations 1 and 9 below). The Inspectors offer this report, however, as a summary of conceptual and practical relationships, patterns, common trends, initiatives, and possible actions to help strengthen and enhance accountability, management improvement, and oversight actions in what must become a continuous process.

A strategic and integrated approach. The accountability, management improvement, and oversight units and processes of all the agencies have been built up piece by piece over the years. Not only does this suggest that gaps and overlaps may exist, but the present period of rapid change leads to competing pressures for action in all of the areas discussed in this report. The organizations must establish new organizational climates and managerial processes to streamline work and clearly and fairly hold managers and staff accountable for their performance, and for programme results and impacts on a continuous basis. This "management of change" is enormously demanding and difficult, but many

organizations have been or are now establishing strategic planning and performance management processes to strengthen accountability and to best deploy their scarce resources (paras. 127-161).

RECOMMENDATION 1. Each organization should establish a single focal point unit under its executive head dedicated to strategic planning, performance management, and maximally effective accountability and management improvement. The unit should integrate and catalyze the managerial tasks and responsibilities identified throughout this report, in order to strengthen organizational flexibility and responsiveness, that is, to manage change. The unit should also address current management issues such as "contracting out", decentralization/delegation, "benchmarking", competitiveness, and particularly "downsizing" contingencies (paras. 145-161).

Internal oversight units. Most System organizations have relied for years on small internal audit units for oversight functions, joined in recent years by even smaller evaluation units. Some modest management review work is also done, and on-site inspections of individual unit operations and investigations of waste and abuse have been limited. Small organizations still have almost none of these functions, while larger ones may have up to half-a-dozen small units. These units can provide significant cost savings and cost-benefit gains in the organizations' operations. However, the 272 professional-and-above internal oversight staff posts system-wide, and their $US40 million of annual expenditures, presently represent only about 0.5 per cent of total System staff, and these staff posts are also each proportionally responsible for overseeing some $47 million of the System's annual expenditures (paras. 14-52).

RECOMMENDATION 2. Each organization should carefully consider the balance and capacities of its internal audit, evaluation, management services/analysis/reform, inspection, and/or investigation units; keep under review ways to consolidate, strengthen, or better support them; and regularly assess and improve their effectiveness (paras. 53-63).

Management systems. Internal control systems have existed in most of the organizations for many years, and have often been taken for granted. Presently, however, most organizations are reassessing and modernizing their internal control systems to enhance efficiency, effectiveness, and accountability. Almost all the organizations have also been active in computerizing administrative systems and arranging for office automation. However, with some exceptions, they have not yet seized the dynamic opportunities offered by modern (and constantly improving) information technologies to expand basic information-sharing functions, enhance programme decision-making systems, analyze and restructure workflow and productivity, and enhance top-priority substantive programmes (paras. 64-97).

RECOMMENDATION 3. Each organization should ensure that it has integrated and dynamic internal control systems in place, and in particular develop clear guidance and actions concerning personal accountability, financial liability, and standards of staff conduct (paras. 67, 73-78).

RECOMMENDATION 4. Each organization needs to establish a comprehensive information systems strategy to ensure that it is using information technology effectively to carry out its substantive programmes, enhance its management and programme decision-making, and carefully analyze and streamline its work patterns and processes (paras. 90-97).

Human resources management. The United Nations system is only slowly adopting human resources management programmes to maximize the staff resources which are both the primary cost and the most important asset of the organizations. Holding managers accountable for the human resources entrusted to them, and efforts to better develop managerial skills, are increasingly recognized as essential. After years of inactivity, many organizations are now conducting or developing fairly comprehensive management development and training programmes, and several are using management improvement units and techniques to encourage organization-wide innovation and productivity enhancement (paras. 98-126).

RECOMMENDATION 5. Each organization should make every effort to strengthen its management development and training programmes as an essential investment in its human resources and future performance, and to support management improvement and analysis units and other efforts to enhance the management culture of the organization and involve the talents and ideas of all staff in continual operational improvement (paras. 109-111, 121-126).

Inter-agency activities. The inter-agency bodies have made many significant recent contributions to the accountability, management, and oversight improvement efforts discussed in this report. They have a particularly important role in promoting the cross-fertilization of ideas, discussing "best practices", and seeking areas of co-ordination and harmonization wherever possible (paras. 162-177).

RECOMMENDATION 6. The organizations should encourage and fully support the recent management, accountability, and oversight improvement efforts of the inter-agency bodies, primarily for their integrative and performance-enhancement potential in the United Nations system, but also for their value as "professional associations" and career development networks for United Nations system managers and oversight staff (paras. 165-168).

External system-wide oversight bodies. These bodies have very diverse staffing and funding arrangements, modest resources (an annual total of about 137 professional-and-above oversight work years including both full-time and part-time effort, i.e., proportional oversight responsibility per work year for some $US93 million of the System's annual expenditures), and differing and sometimes overlapping mandates. They share a responsibility to ensure that Member States are fully and accurately informed of the effectiveness of both United Nations system programmes and operations and their internal accountability and oversight mechanisms. It is therefore essential that the external system-wide oversight bodies work together in close harmony (paras. 178-215).

RECOMMENDATION 7. Within their existing mandates and terms of reference, external system-wide oversight bodies should improve and, if necessary, institutionalize their sharing of information on work programmes, findings, and recommendations, and more frequently take the opportunity to propose mutually-reinforcing areas for review and assessment to one another (paras. 182-183).

Oversight governing bodies. Governing bodies in the United Nations system were established long ago as political assemblies. They have been criticized recently as unsuited to the day-to-day oversight and decision-making requirements of increasingly urgent field programmes worldwide. Substantive reporting on programme results has improved somewhat and more external analytical expertise is being employed. But reports from secretariats still do not provide regular, transparent, and integrated information and analysis on performance and impact, management improvements and initiatives, and oversight work. Oversight governing bodies need to review operations more systematically and critically to provide policy guidance for a much more complex operating environment (paras. 216-245).

RECOMMENDATION 8. The oversight governing bodies of the organizations need to much more firmly and consistently assert their leadership role and insist on improved accountability, performance, oversight, and sound management systems in the organizations. They then need to prove this commitment by providing clearer guidance to secretariats, sharpening their focus on performance and results, following up more systematically on past policy decisions, and employing external reviews and dialogue with clienteles to enhance programme transparency, responsiveness, and accountability (paras. 222-230, 238-245).

RECOMMENDATION 9. Each organization should report annually to its primary oversight governing body in a concise and integrated way on the issues discussed throughout this report, utilizing the strategic planning unit called for in recommendation 1 above. Such a regular report can finally highlight good management, accountability, and oversight as priority tasks, while also enabling the organizations to dynamically manage change and effectively meet the relentless operational challenges of the future (paras. 235-237).

I. INTRODUCTION

"...the concern with capacity and performance reaches its highest peak when draft programmes and budgets are discussed and seems to evaporate when reports on the execution of the approved programmes are reviewed.

...This dichotomy between the concentration on programme elaboration and budgeting on the one hand, and the neglect of programme execution, on the other, is in itself one of the major causes of the shortfall of the performance of the system."

Mahdi Elmandjra, The United Nations system: An analysis, 1973[1]

"There was general agreement that the United Nations system is facing a major challenge...

...The executive heads of organizations which are responsible for operational activities emphasized that while improvements can always be made, their activities have a proved record of effectiveness and efficiency. While many of the charges of waste, inefficiency, duplication, etc., are not accurate, it will be necessary to refute these charges by clear evidence to the contrary.

...ACC also recognizes its responsibility to improve the image of the United Nations so as to reassure Governments and the general public that it is an efficient and effective mechanism for dealing with the important issues of concern to the international community."

Administrative Committee on Coordination (ACC), 1982[2]

"Change or die."

A senior United Nations system official's comment to JIU Inspectors on operational performance challenges, 1992[3]

1. The above quotations, each a decade apart, show the progression of the United Nations system (and almost all other governments and public organizations) from concern with programme planning and formulation in the 1970s, to the need to achieve effective performance in the 1980s, to a new concern with dynamic action for organizational survival in the 1990s.

2. During the past decade, the governing bodies, top management, and external and internal oversight bodies of the United Nations system have been responding to the programme implementation and assessment challenges posed. Progress has been fairly steady, if often slow. However, the resources devoted to accountability, management improvement, and oversight processes and to new approaches have in most cases been modest.

3. For its part, JIU has long urged that greater priority be given to reviews of performance and results as the critical, missing link in the management cycle of United Nations system operations. JIU reports have stressed, for instance:

- developing internal evaluation systems to systematically analyze programme results and effectiveness (1977, 1981);[4]
- strengthening management services units and management improvement efforts (1981) (and a follow up report on the importance of the Management Advisory Service of the United Nations in 1991);[5]
- establishing more substantive secretariat performance reports, better policy dialogue with governing bodies, and greater use of outside expertise (1984);[6]
- using information technology and related analytical tools to enhance programme results, efficiency, and services (1985);[7]
- establishing streamlined, performance-oriented information systems and steadily improving them in an ongoing management development process (1985);[8]
- ensuring regular, substantive reporting on programme performance to top management and intergovernmental bodies (1988);[9]
- strengthening the management of extrabudgetary resources through more transparent presentation and performance reporting (1990);[10] and
- responding to a highly competitive international development co-operation environment by carefully fostering organizational creativity, responsiveness, and sustained performance improvement (1992);[11]
- issues and problems of accountability and oversight in the United Nations Secretariat (1993).[12]

4. As the third quote on the preceding page indicates, since the 1990s began the pace of change has accelerated dramatically. Many parts of the system, including not only the United Nations General Assembly but other governing bodies and executive heads, have been or are now making quite significant efforts to strengthen, revitalize or reorient managerial cultures, management capabilities, and accountability and oversight processes.

5. These developments are an essential response to the many new tasks being given to the United Nations system, the life-and-death urgency they often involve, and the scarcity of public resources available to carry them out. However, they also reflect the intense pressure from taxpayers and publics throughout the world for better use of all public funds and for higher-quality performance from national and international bureaucracies.

6. Each organization must respond in its own way to its own specific circumstances. The two parts of this report, and particularly the tables in Part II, show that there is a very considerable diversity in the circumstances, scale of operations, mix of functions and priorities, and initiatives to strengthen managerial cultures and enhance organizational performance. Nevertheless, this JIU report attempts to contribute to the powerful new impetus for better accountability, management improvement, and oversight in the United Nations system by:

(a) providing a broad and relatively comprehensive survey (never before prepared) of the framework, types, and interactions of these activities in the system;

(b) identifying some key emerging patterns and trends; and

(c) highlighting some significant initiatives under-way which merit consideration by other organizations.

7. The following chapters survey the basic elements of accountability and oversight units and processes in the United Nations system: internal oversight units (Chapter II); internal management systems and development and improvement processes (Chapters III and IV); major recent management reforms (Chapter V); inter-agency activities (Chapter VI); external system-wide oversight bodies (Chapter VII); and oversight governing bodies (Chapter VIII). Part II of this report provides summary tables on the activities of individual organizations in each of these areas.

8. In addition, the JIU views this report as a "baseline" survey leading to further JIU studies on management improvement and management systems in the future, as occurred with its series of system-wide and individual agency reports on internal evaluation systems from 1977-1985.[13] To begin this process and in light of multiple requests, the Inspectors prepared reports in 1994 on the importance of effective performance appraisal systems and on the advancement of women's status in light of new accountability and human resources emphases, as noted later in this report. They have included in their work programme for 1995 a review of management in the United Nations Secretariat, and are considering a review for 1996 of the use of information technology to enhance managerial processes and substantive programmes in the United Nations system.

9. A few general definitions are required. The fundamental element in improving organizational performance, and the key concept driving this report, is the quality of overall management. Managers are people who get things done by working with other people and other resources to obtain organizational objectives. This is a continuing, complex, and social process. In the past it was often regarded as a rather rigid and bureaucratic supervisory function. However, the great increase in complexity, pace of change, and management systems and technologies available in large organizations has placed heavy new responsibilities on modern managers. They need, as never before, to be competent, resourceful, and innovative leaders and motivators. They must not only set an example through their own performance, but encourage employees throughout the organization to commit themselves to results, service and quality work.

10. "Oversight" is fairly readily understood under the dictionary definitions of bodies, units and processes which provide "supervision" and "watchful care" in an organization. "Accountability" essentially means responsibility to someone for one's actions taken: in the United Nations system this refers to the responsibility of international civil servants to executive heads and to governing bodies, and their responsibility in turn to Member States and publics. In this report the Inspectors construe "accountability" as larger than traditional compliance and process accountability. That is, it also includes managerial accountability (e.g., wise use of public resources, both human and financial) and programme accountability (e.g., outputs, efficiency and results).[14] As this indicates, the central accountability concept is to ensure that the programmes of the organizations have maximum impact and results in achieving their established objectives.

11. The broad concept of accountability (which incorporates oversight) is a very untidy, complex, and changing one. While accountability is primarily concerned with effective performance and results, recent research observes that it also involves systematic efforts to strengthen organizations in at least four different dimensions:

(a) **compliance accountability** - the narrowest aspect, involving enforcement of standards of performance or procedure;

(b) **negotiated accountability** - improvement of management and governance in response to changed conditions and demands from those to whom the organization is accountable;

(c) **professional/discretionary accountability** - voluntary initiatives taken to enhance the professional standards, management systems and technologies, and services of the organization; and

(d) **anticipatory accountability** - helping shape and prepare for new accountability standards.[15]

12. An important caveat relates to the very blunt 1992 quote which begins this introduction. "Change or die" does not mean blind change for change's sake. It does mean that all public organizations must prove themselves through accountability for their performance and results, as the ACC recognized in 1982. The added element in the 1990s, however, is that organizations must have an integrated strategy and system of accountability and oversight, which continuously analyzes organizational strengths and weaknesses to provide high-quality performance to respond to a demanding, constantly changing external environment.

13. In conducting this study, the Inspectors sent questionnaires to 28 organizations of the United Nations system to gather data on their accountability and oversight efforts. They reviewed the responses and documentation provided, and followed up twice with each organization to update and clarify the information, which is summarized in the Tables in Part II. They visited as many of the organizations as possible for further discussion, and also surveyed eleven inter-agency committee secretariats and external oversight bodies. They wish to thank all the officials consulted for their most valuable contributions and observations.

II. INTERNAL OVERSIGHT UNITS

14. The JIU survey found seven essential components of overall accountability and oversight structures in the United Nations system. Four of these are internal to the secretariats of each organization (internal oversight units, management systems, human resources management, and strategic planning and performance management to integrate them). Three are external to the secretariats (relevant inter-agency activities, system-wide external oversight units, and oversight governing bodies and reporting to and for them).

15. This Chapter and the following six Chapters deal with each one of these components in the order given above. The analysis begins with the internal oversight units, which have traditionally been given the primary and heavy responsibility of "taking care of" accountability and oversight issues.

16. Tables 2, 3, and 4 in Part II of this report yield the following summary information about internal oversight units in the United Nations system:

(a) internal audit units are the oldest-established units (with some having begun in the 1940s), and the largest (with 139 of the total 272 professional-and-above staff posts, or 51 per cent);

(b) internal evaluation units are relatively new (most units were established during the 1980s or 1990s), utilize considerably more consultant money, and are the second largest group (with 84 of the total 272 professional staff posts, or 31 per cent);

(c) management services/analysis units are small, but are found in most agencies, while inspection and investigation units are still few in number and often quite new: these units amount to only 49 of the 272 total professional staff posts, or about 18 per cent);

(d) the vast majority of the internal oversight units report directly to the executive head of the organization, with internal audit units most likely to do so and the evaluation and management services units somewhat less so;

(e) the internal oversight units tend overall to be small and rather fragmented, with some tendency toward consolidation of internal audit with management service or inspection units, evaluation units occasionally linked with strategic planning or programming units, and management services units sometimes still placed in administration departments.

17. As a group, the 272 professional-and-above internal oversight staff posts and their $US40 million of annual expenditures ($US80 million per biennium) represent a quite small proportion of total United Nations system staff and financial resources in 1993 (see Table 1 of Part II). Internal oversight professional staff members constitute only about 0.5 per cent of the total 52,646 United Nations system staff: that is, each such staff member is tasked with overseeing or improving the work of more than 190 other staff. These 272 professional oversight staff posts were also each responsible for overseeing or enhancing the use of some $US47 million of the $US12.8 billion of estimated United Nations system expenditures in 1993. These ratios underscore the fact that, while internal oversight and management services units provide a critical stimulus, senior management, programme managers and other staff must clearly carry the major portion of the accountability and performance responsibilities in the organizations.

A. Internal Audit

18. Internal auditors are not only the "foot soldiers" but also the "old veterans" of accountability and oversight work in the United Nations system. As shown in Tables 2.A.

and 2.B in Part II of this report, the internal auditors as a group have more resources and professional staff than the other oversight units combined. However, there is enormous variation in unit size, from a few larger units on down to the smallest, which still operate as a "one man (or woman) show," or less. This is of course related to the scale of operations and resources of the individual organizations, as indicated by the staff and financial statistics given in Table 1 of Part II.

19. In addition, many of these units were created in the late 1940s and 1950s when their organizations were founded, underscoring their traditional oversight roles. (The more recent year of establishment shown for other internal audit units in Tables 2.A and 2.B reflects, in most cases, reorganizations of preexisting, long-standing internal audit groups).

20. This long history of internal auditing work in many of the organizations illustrates the central challenge they face. Internal auditors for many years were concerned almost exclusively with ensuring compliance with financial regulations and testing the adequacy of internal controls. Since about the late 1970s, however, they have gradually been changing (and urged to change) toward much more of a management audit approach concerned with the functioning of management systems (including computerization aspects); "value-for-money" issues; operational performance, efficiency, and to some extent effectiveness questions; and expanded management services and management advisory roles.

21. From their discussions and analysis, the Inspectors conclude that this expansion of functions, not surprisingly, is still very much under-way. The complete, up-to-date, comprehensive audit approach includes (a) financial and attest auditing, (b) compliance auditing, and (c) managerial or value-for-money auditing. Some larger United Nations system units seem to have developed this full scale of work fairly well, others are still establishing a balance, and still others are constrained by their very limited resources.

22. The internal auditors are greatly aided in the enhancement and advancement of their work by an inter-agency group of representatives of internal audit services (see also Chapter VI). The group has been discussing, developing and improving standards for almost 30 years: most recently, they adopted updated standards in 1990 for the professional practice of internal auditing in the organizations.

23. In 1993 and again in 1994 this group surveyed internal audit structures and operations in the organizations. The surveys provided detailed data by agency on staffing and grade levels, professional qualifications, use of consultants, audit coverage, reporting, training and quality assurance. The most significant finding was that internal audit staffing (and resources) represented a very small portion of total staff and resources in the organizations when compared with ratios from a 1992 survey made in the United States, which showed an average ratio of one auditor to 125 total staff in the United States Federal government, and 1:162 in the United States financial/banking sector. In contrast, the average United Nations system ratio was 1:264, and for the largest organization, the United Nations, the ratio was a very high 1:346.[15]

24. The above surveys and this JIU review raise several questions about internal auditors' roles in accountability and oversight systems, in addition to the expanded functions already mentioned. First, audit coverage is a real challenge, since many of the agencies have field and regional offices worldwide, but internal audit (and other oversight) units are almost always centralized at the agency's Headquarters, and travel funds are

modest. Half the agencies in the auditors' survey reported a need to increase staff size to provide adequate coverage, while the other half were presently satisfied but foresaw a need for more staff in the immediate future.

25. The General Assembly has been very concerned about this problem in the United Nations, since internal audit resources have scarcely grown although total programme expenditures have increased enormously. In addition, one-quarter of the audit posts are at a low (P-2) level. The Board of Auditors reported in 1992 that the United Nations internal auditors were staffed well below the expected level of performance and number of auditors needed for adequate coverage. The General Assembly then called on the Secretary-General in 1992 to "take urgent steps to strengthen both the independence and effectiveness of internal audit" and responses to internal audit findings.[17]

26. Second, basic principles require that internal audit be an independent appraisal activity, with full access to data, freedom of action, and support from the executive head of the organization. Almost all units do indeed report directly to their executive heads. A number have active audit committees that regularly review audit reports, and internal audit heads state that they meet regularly with senior management to discuss coverage and significant findings, and follow up on corrective actions being taken by management.

27. However, these activities are all internal. Except for a new reporting process in the United Nations (see Chapter VIII), it appears that there is no internal audit unit that reports publicly or to governing bodies on its overall work patterns, coverage, and results achieved. In addition, the internal auditors' own survey found that most units are not subject to any external quality assurance review. It is true that in many of the organizations internal auditors cooperate closely with the external auditors in their audits, and the external auditors review and comment on the internal audit work, but this process provides only very limited public reporting.

28. Essentially, then, the work of internal auditors is "invisible" outside the secretariats (and sometimes not very visible within secretariats as well). This raises understandable scepticism and concern about how well these units are performing their oversight and improvement functions, and whether and how well they can defend their independent status and audit findings and recommendations against pressure from senior managers affected. The Inspectors believe that details of individual audits should not be publicized nor "micromanagement" encouraged. Yet they also believe that some form of summary, public reporting on general internal oversight activities and results, as discussed at various points in the rest of this report, is important to help firmly establish the necessary transparency, accountability, and credibility of organizational performance.

29. Finally, the professionalism of staff in internal audit and other oversight units is a critical constraint. The 1994 auditors' survey found that most audit staff now hold advanced degrees in management and finance fields, and in many cases have professional certification.[18] JIU made a partial and informal further survey, including other types of internal oversight units, which showed broadly similar patterns.

30. Despite this progress, a significant minority of oversight staff still have degrees only in non-management fields, and/or no management analysis experience before joining their units. In part this reflects past recruitment of staff to small and often new oversight units which often emphasized only the qualifications of "knowing the organization" and "writing well." However, oversight work is becoming more and more technical and complex and the

internal oversight staff posts available are very few. In future, the organizations must employ a full complement of highly-productive staff with solid professional education, training, and experience in management auditing, evaluation, inspection, investigation, and systems analysis. Since a fair number of the present oversight posts, particularly in internal audit units, are lower-level, it will be more and more difficult to recruit such people.

B. Internal Evaluation

31. Internal evaluation units, as Tables 3.A and 3.B in Part II of this report show, are much newer participants in accountability and oversight work in the United Nations system. They expanded very rapidly during the late 1970s and early 1980s. When JIU prepared its first survey of internal evaluation in 1977, only two of 13 organizations had some type of system. By 1981 12 of 23 organizations had a system, and by 1985 the number had risen to 21 of the 24 organizations surveyed.[19]

32. Auditing and evaluation have major differences. Auditing originated as an expert opinion on financial statements, while evaluation is concerned with research and analysis of the results and cost-effectiveness of policies and programmes. Modern auditing compares performance to norms, while evaluation is concerned with assessing programme and project design, implementation, and effectiveness. The two disciplines also differ in the way they plan their work, and collect, record and analyze data. Nevertheless, they have increasing overlaps as well. In particular, evaluators are incorporating more cost and efficiency considerations into their work, while auditors increasingly review management implementation processes (including built-in monitoring and evaluation systems), and performance and results relative to objectives, as part of their work.[20]

33. JIU has not made a system-wide evaluation survey since 1985, because evaluation system development appears to have stabilized. However, in its 1985 report JIU did identify continuing broad needs to expand and improve evaluation activities, firmly integrate them into day-to-day organizational decision-making and operational processes, and ensure that organizations emphasize programme performance and results rather than inputs. JIU also found that the quite small evaluation units in almost all the organizations were overloaded: they could only spend about half their time on direct evaluations, reporting, and follow-up work. The rest was spent on expanding systems development, and managing the overall evaluation systems on a continuous basis to ensure their successful functioning.[21]

34. Since 1985, several smaller agencies have added internal evaluation units (with JIU encouragement), but several others have lost their small units because of staff departures or post reductions. However, the total number of professional evaluation unit staff system-wide (not counting the World Bank) has increased from 58 noted by the 1985 JIU evaluation status report to 84 in 1995 (see Table 3 of Part II), a very encouraging increase of almost 45 per cent in the past decade. In addition an inter-agency evaluation working group did an informal survey in 1991 that indicated some substantive progress in enhancing evaluation work and making it a more mature and recognized component of organizational operations. Following discussion by this group, the United Nations Development Programme (UNDP) updated its "Guidelines for evaluators",[22] and further inter-agency work is under-way on harmonizing monitoring and evaluation principles (see discussion in Chapter VI).

35. Recent evaluation practice does appear to have made significant contributions to improving accountability and oversight in the organizations of the United Nations system:

(a) various types of evaluation reports on organizational performance and results are widely disseminated to governing bodies, donor and recipient countries, programme managers, and researchers, thereby adding considerably to the transparency and credibility of organizational operations, and the visibility of oversight and accountability functions;

(b) the use of "built-in, self-directed evaluation" by programme managers in many of the organizations (in addition to in-depth evaluations by central units and external evaluations) appears to have significant participative value in making staff aware of the importance of good design, a focus on results, and direct feedback to promptly correct implementation problems;

(c) several organizations have made considerable progress recently in establishing data banks, often computerized, of "lessons learned" from evaluations, which are useful to improve decision-making and future planning throughout the organization.

36. Internal evaluation systems thus seem to have largely stabilized and matured in their ability to provide the above services. They clearly aid organization-wide efforts to improve programme operations, create a performance culture, and follow-up and report much more systematically on programme results. As is true for internal audit, however, evaluation staff resources are still modest in relation to some $US13 billion of United Nations system annual programme expenditures.

C. Management services, inspection and investigations

37. In 1981 JIU reported on management services in the United Nations system. It found that in general the System gave low priority to management improvement actions, as shown by a small number of units with modest resources and, correspondingly, limited results. The Inspectors felt that organizations should strengthen these functions to systematically pursue management improvement, "trouble-shoot" problems to assist managers, rationalize procedures, analyze systems, and assess staff requirements and workloads.[23]

38. The organizations generally accepted the JIU proposals, but doubted that their units could be strengthened because of financial limitations. They agreed that management service units should advise on staffing requirements (although some cited problems with developing work standards) and should report to governing bodies. They also emphasized the need for systematic training of staff in modern management methods, and agreed that further actions should be pursued.[24]

39. In 1994, as shown in Tables 4.A and 4.B of Part II of this report, management improvement or management services units are still small and rather limited in number. There are a few changes, however. The largest former unit (the Management Advisory Service of the United Nations) has disappeared, but several internal audit units have added management advisory or review sections, and several others have created such units in the last few years. Encouragingly, some of these units now report directly to executive heads. Unfortunately, however, other units still seem to be much like those JIU reported on in 1981: small, scarcely visible, with no public reporting on their performance, and with a quite modest presence in, and impact on, the operations of the organizations.

40. A topic of much more intense and emerging interest in the last year or two has been that of "inspections and investigations." This interest has arisen because of concern among Member States with actions to deal with "waste, fraud, corruption and mismanagement", in particular because of media stories and allegations concerning these problems in programmes of the United Nations system.

41. Waste, fraud, corruption, and mismanagement are found in every country and every large organization around the world. This is confirmed by almost any day's international media reports, but also by an increasing volume of national and international documentation on the causes and ways of combatting these ills.[25] The United Nations itself has devoted attention at international crime prevention conferences during the past decade to corrosive abuses of power by public officials, and recently issued a manual of practical anti-corruption measures to counter official corruption and intimidation.[26] Corrective actions are essential, since these problems can undermine the operations of an organization, demoralize its staff, and severely damage its credibility, as the General Assembly noted in its resolution 47/211.[27]

42. Inspections can be very productive as on-site reviews of the staffing, work flows, backlogs, outputs, services, and management decision-making in a specific organizational unit. They help ensure that programme managers are applying management controls to streamline activities, carefully analyze workloads, eliminate waste and duplication, and best use the scarce human resources entrusted to them.

43. At present, only a few organizations incorporate the "inspection" function within the titles of their oversight units: the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Food and Agriculture Organization (FAO), and the new Office of Internal Oversight Services of the United Nations. An inspection unit is being established in the Office of the United Nations High Commissioner for Refugees (UNHCR) and is being considered by the World Food Programme (WFP) in 1995, and the UNDP Department for Audit and Management Review specifically addresses basic inspection (and investigation) concepts and issues in the context of its management audit work.

44. Inspection was identified more than a decade ago by JIU and the organizations as an important function for management service units. Some quite extensive analyses of this type were performed long ago by UNDP and by the now-defunct Management Advisory Service of the United Nations. Similar useful reviews are now being done by some of the combined audit and management review units for some of their field offices. The Inspectors were also impressed by operational and staffing reviews being done by the small Compensation and Management Services Division of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). However, the overall proportion of such reviews in the system still seems quite small relative to their potential benefits.

45. The second category receiving extensive current attention is "investigations", which can be generally defined as "detailed examinations" or "official inquiries", particularly into areas involving possible serious waste of resources, fraud, theft, excessive expenditure, inefficiency or ineffectiveness, or weak management, financial or budgetary controls.

46. Investigation activities are presently as limited as inspections. Almost all organizations informed the JIU that they have made very few investigations, and inter-agency data compiled in recent years by the Consultative Committee on Administrative Questions (CCAQ) confirms this pattern. (The exception of course is the United Nations,

with its enormous expansion in emergency peace-keeping and humanitarian operations during the past few years, involving billions of dollars, difficult field situations, and great urgency in decision-making, all of which are fertile grounds for waste, fraud and corruption problems.)

47. The Inspectors believe that the vast majority of all United Nations staff are honest, but all organizations unavoidably have some problems of waste and corruption. The very small incidence of such problems in the organizations thus far indicates one of three possibilities:

(a) there is in fact very little waste and corruption;

(b) there is waste and corruption, but investigations have not yet been made to uncover and correct it;

(c) most seriously, there is waste and corruption, and it is tolerated by the organizational culture.

48. To find out which of these three possibilities is dominant, and in what areas, the organizations need to deal with potential waste and corruption problems in a professional, efficient, and credible way. Resources for such demanding and in-depth work are tight, but the Inspectors believe that the organizations must conduct at least some such oversight work. Two significant and lower-cost options to facilitate investigative oversight are presently receiving more attention at various points in the United Nations system:

(a) each organization should perform "vulnerability analyses" to identify areas where waste, fraud and corruption are most likely to occur, make staff and managers aware of these areas, and incorporate these considerations directly into normal audit and management review planning;

(b) organizations can consider establishing a "hotline" through which staff, who know the programmes best, can report possible cases of waste, fraud and corruption for investigation. The General Assembly called for such a system in the United Nations which, after some Secretariat foot-dragging, was established in late 1994.[28] Hotlines can encourage "crank" calls and vindictive accusations. However, if hotline reports are professionally investigated and carefully handled to ensure that the rights of both the party reporting and the party accused are protected, they can become an important tool to combat waste, fraud and corruption and to enlist staff in ensuring high standards of integrity and performance in the organization.

49. The Inspectors believe that the renewed interest in inspection and investigation outlined above is not only concerned with fraud and abuse. Such problems definitely need to be anticipated, identified and dealt with much more systematically. But they occur primarily in big emergency field operations, rather than in smaller-scale programme and administrative functions of the agencies.

50. Member States seem equally concerned with allegations of mismanagement and "deadwood" in the Secretariats, i.e., units, programme managers and staff who are not performing well or whose services are being wasted. Inspections, with their focus on actual operations, can directly test management performance and results periodically throughout an organization to identify problem areas and assess a unit's efficiency and effectiveness. These inspections are also important to enhance the organizations' overall credibility and transparency.

51. However, one major reason for the small amount of such activity in the organizations at present, is, once again, lack of resources. The head of one small internal audit unit told the Inspectors that one single investigation can tie up one-quarter of his unit's annual work capacity, crowding out other urgent functions. Management service reviews, inspection, and investigation are in-depth, intensive, very specific, and fact-based reviews which require substantial resources. Without more resources, perhaps including the ad hoc use of other knowledgeable staff, it will be difficult for the organizations to conduct them.

52. Expansion of such reviews is very much needed. The importance of carefully and regularly analyzing work plans, workloads, work flows, and staffing requirements is a sub-theme that recurs throughout this report, particularly in the discussion of performance management in Chapter V.

D. Finding a proper balance

53. The pattern presented by the above overview of internal oversight units is primarily one of scatter. There are many small units of various types in the organizations. While there is some tendency to combine units (primarily internal audit and management review), it is limited. The largest organization, the United Nations Secretariat, consolidated its internal oversight units in late 1993 and established a new Office of Internal Oversight Services in 1994,[29] and one of the smaller agencies, the International Civil Aviation Organization (ICAO) plans a similar consolidation in 1995. Some agencies are even going back and forth: the World Health Organization (WHO) joined its two main internal oversight units several years ago, but recently decided to separate them again.

54. Each organization must of course make its own management choices. The Inspectors believe it important that they try to make these decisions on a strategic and integrated basis, formulated in light of overall organizational performance considerations as discussed in the following chapters. In addition, they encourage the organizations to consider the following advantages of consolidating their small internal oversight units where possible:

(a) **increased independence**, accruing to a larger, more competent unit hopefully reporting to top management levels;

(b) **greater flexibility and responsiveness**, since expanded staff resources can be more easily shifted between internal oversight tasks as changing circumstances dictate, rather than being bound by narrow sub-unit boundaries;

(c) **greater transparency**, with a combined unit much better able to report each year on its work, findings, results achieved, and views on overall management performance, progress, problems, and issues in the organization;

(d) **greater professionalism**, through more systematic recruiting of a balanced team for various types of oversight work, improved backup capacity, and more coherent professional training and career development opportunities;

(e) **economies of scale**, through coordinated work planning and combined assignments, field visits, administrative and support services, and reporting capacities;

(f) **greater visibility and stimulus to management improvement** in the organization, with the larger unit becoming a much stronger focal point for interaction with programme managers, governing bodies, professional bodies, and other organizations;

(g) last but not least, greater ability to enhance organizational accountability, by providing a more systematic, dynamic, professional, and transparent system of internal oversight and review for the organization.

55. Most of the combinations of oversight units made to date, unfortunately, have not increased the existing modest resources. Oversight "on the cheap" will not produce the improvement of operations which Member States seek, particularly for inspections and investigations. The Inspectors have noted a general pattern of deadlock over the past two decades, in which governing bodies try to pressure executive heads to devote more existing resources to oversight and management strengthening, while executive heads in turn pressure governing bodies to provide additional resources if they want these changes.

56. Hopefully the strong new concern with accountability and oversight now emerging in the system, and the other factors discussed in the following Chapters, can help break this stalemate and encourage both executive heads and governing bodies of the organizations to increase the resources, priority, and use made of the reports of their small internal oversight units. These oversight activities, if properly staffed and supported, operate on a "cost-recovery" and "cost-savings" basis that saves funds and cuts waste far beyond their budgeted costs. These units, as a group, should in fact be regularly assessed on their performance in generating savings, helping increase productivity and organizational effectiveness, testing internal controls, and helping shift the organizational culture to a strong performance emphasis.

57. Meanwhile, some significant new initiatives are already under-way to improve and rationalize internal oversight activities and resource use:

(a) A number of organizations are now developing new, more comprehensive performance measurement and assessment systems, and an inter-agency effort is also under-way through the CCAQ. These systems incorporate various existing oversight elements, processes, and techniques. They can greatly facilitate the work of internal oversight units and enhance basic programme management by providing much more specific performance data for review and decision-making. Such efforts are a quite challenging but important component of an integrated management approach for the organizations overall (see further discussion in Chapter V).

(b) UNDP initiated a contracting-out arrangement with an international accounting and auditing firm to provide monthly field office accounts examination and annual internal audits for UNDP field offices in its Asia and Pacific region. The "on-site" firm can do this work at lower cost than UNDP auditors from New York, while freeing them for more in-depth management audit work. The system is being carefully reviewed and refined, and has been extended to UNDP and United Nations Population Fund (UNFPA) offices in Africa as well as to more offices in Asia and the Pacific. In total, as of the end of 1994, the arrangement covers 65 UNDP Country Offices and 43 UNDP Country Director Offices.

(c) United Nations evaluations have always provided very slow programme coverage, with decades required to cover each major programme even once and a multi-year cycle of planning, implementation, and review for each study. Beginning in 1994, however, the United Nations evaluation approach (and other oversight functions) will apply a "risk analysis" approach to concentrate oversight work much more on those programmes which have large size, visibility, significant potential findings, and a lack of recent oversight review. Further, (and in line with many past JIU recommendations), the United Nations evaluation cycle is to be significantly shortened, reforms will be made to gather better

oversight information, and self-evaluation work and central performance reporting are to be revamped and upgraded.[30]

58. In concluding this Chapter, the Inspectors would like to commend three analytical frameworks which may be useful to the organizations and their governing bodies as they consider how best to balance and deploy their scarce internal oversight resources. The first two come from a very detailed and perceptive recent study of inspectors general and accountability in government. The author identifies five basic measures which can be useful tools to assess the effectiveness of inspector-general operations, which apply as well to the internal oversight units of the organizations of the United Nations system:

(a) **professionalism** - the adherence of the units' work processes and products to the professional standards that govern the particular oversight area;

(b) **coverage** - the ratio of oversight staff to total organizational staff and total budgetary resources;

(c) **amount of savings** - financial outputs that are a result of oversight findings and implemented recommendations;

(d) **quality** - successful disciplinary actions and fund recoveries as a result of investigations conducted; and

(e) **visibility** - not merely reporting to governing bodies and outsiders, but preparing effective, action-oriented reports that people will read, that will help deter potential offenders, and that will lead to prompt and significant corrective action within the organization.[31]

59. In the United Nations system as a whole, there is a long way to go on these measures. Audit and evaluation guidelines have made considerable progress, but inspection and investigation are not well-developed or professionalized. System-wide oversight coverage is often very thin, particularly as small headquarters units struggle to oversee worldwide field programmes. Some internal audit groups do "keep score" of the percentage of their recommendations implemented and the cost savings they achieved, but many do not and almost none report them publicly. Data on investigations is also very limited, leaving open the question of how serious the problem really is. And while evaluation reports have been fairly widely distributed, internal audit and management service and other units remain almost invisible outside and sometimes even inside their organizations, which hampers organizational credibility.

60. It is clear that the larger agencies, particularly those with extensive field operations worldwide, must cope with many more oversight pressures and responsibilities than the small, specialized technical agencies. But all the organizations, within the context of their specific circumstances, should carefully consider how best to deal with these existing performance constraints.

61. The above considerations, however, do not fully address the longer-run success of internal oversight units, as related to overall organizational performance and services provided to Member States. For this purpose, a second framework of broader oversight issues must be considered:[32]

(a) **interest** - the many recent and new accountability and oversight initiatives and reforms appearing in the system, as discussed throughout this report, indicate much greater interest and concern with these issues in the United Nations system than in the past;

(b) **trust** - this renewed interest also indicates that the need to reassure governments of the system's effectiveness (as cited by the ACC in 1982, see introductory quote) continues, and is even heightened by public cynicism and mistrust of the performance of large public and private institutions in general;

(c) **vulnerability** - the recent rapid growth in resources and global field operations of all kinds clearly increases the vulnerability of overall United Nations system programmes to waste and mismanagement;

(d) **value-added** - ensuring that the organizations are producing useful services for Member States and are maximizing the resources entrusted to them is the core challenge which the internal oversight units and other accountability processes and systems discussed in this report must continually and convincingly address.

62. A third and final framework comes from a 1980 inter-agency analysis of the problems of establishing evaluation. Although the organizations have made progress in many oversight areas since that time, this analysis is still very relevant. As adapted here, it identifies critical elements of the "organizational culture" in United Nations system organizations which can seriously hamper the performance of internal oversight units:

(a) **weak support**, especially from top management and governing bodies;

(b) **credibility of oversight findings**, requiring a rigorous professional approach to make findings authoritative to users;

(c) **failure to define** (and obtain agreement on) the purpose of specific oversight reviews;

(d) **inadequate feedback** and marginal use of oversight findings;

(e) **uneven application** of existing oversight policies and methodologies, and weak "pre-conditions", especially unclear organizational objectives and targets and poor programme and project design;

(f) **insufficient clarity** of roles and responsibility for oversight work;

(g) **resistance to change/ involvement of staff**, emphasizing the "human factor" as well as technical oversight methodologies, by recognizing the importance of staff understanding of, and participation in, organizational performance improvement;

(h) **non-compliance and absence of incentives**, with real rewards and recognition required to encourage good performance, but decisiveness and consistency essential where problems exist and corrections are needed;

(i) **loose application of oversight terms**, particularly in casually labelling miscellaneous studies as evaluations, audits, inspections, or investigations although they do not meet proper standards;

(j) **unrealistic expectations**, putting too many hopes on modest oversight activities to solve problems that in fact lie deep within the managerial and programming systems of the organization; and

(k) **the "piece-meal" approach**, trying to improve oversight by addressing any one or a few of the above problems, rather than taking a steady integrated approach to organizational performance improvement.[33]

63. This list of problems, and particularly the last two, underscore the fact that internal oversight units are only one factor in organizational oversight, management improvement, and accountability. They can by no means carry the load by themselves. Six other areas are also critically important, as discussed in the following six Chapters. The first of these areas - sound management control systems and effective use of information technology - includes two quite critical elements. If they are absent, effective organizational performance, and the work of internal oversight units, becomes vastly more difficult.

III. MANAGEMENT SYSTEMS

64. The management systems and processes of the organizations are a second key factor in improving accountability and oversight. This Chapter discusses two important components in this area: first, the oldest topic and the one most taken for granted - internal controls; and second, the newest, most challenging and rapidly changing one - the use of information technology.

A. Internal controls

65. Internal controls go as far back in the organizations, or even further, than internal audit units. They are generally considered as simple compliance tools. However, during the early stages of this study, several organizations referred the Inspectors to a recent four-volume study which analyzes in depth an integrated internal control framework, reporting, and evaluation tools to assess the internal control system. The study is a most useful reference, because it emphasizes the need for organizations to continually review and rethink their internal control systems, provides careful definitions to overcome past misunderstandings, and updates the role of internal controls in modern management.[34]

66. The study emphasizes that internal controls seek to keep an organization on course toward achievement of its mission and to prevent surprises. They promote efficiency and effectiveness of operations, reduce risk of asset loss, and help ensure reliability of financial statements and legal compliance. The study identifies five main components of internal controls:

(a) **control environment** - the foundation which sets the tone of an organization, based on:

(1) the integrity, ethical values and competence of its staff;
(2) the operating style and management philosophy;
(3) the system of delegation of authority and responsibility;
(4) management of human resources; and
(5) oversight by governing bodies;

(b) **risk assessment** - identifying and assessing risks that could jeopardize achievement of organizational objectives;

(c) **control activities** - the policies and procedures that help ensure that management directives are carried out;

(d) **information and communication** - keeping staff informed and aware of their responsibilities, and producing reports and information that provide the internal (and external) information needed for policy-making throughout the organization; and

(e) **monitoring** - assessing the quality of the internal system's performance over time.

67. These components are linked together to form a synergistic and integrated system that should be able to react dynamically to changing conditions. They also entail responsibilities, especially for the executive head who must set the tone for the entire organization and assign responsibilities to others. In addition, financial officers are particularly important; governing bodies must provide governance, guidance and oversight; and the internal auditors must assess system effectiveness. Finally, all employees should incorporate awareness of and responsibility for internal control in their job descriptions (see

also Chapters IV and V on the importance of establishing a "management culture" and a sense of responsibility for organizational performance among all staff throughout an organization).[35] This ambitious and comprehensive perspective on internal controls suggests many actions in organizations that go far beyond the "follow the rules" or "read the manual" approach.

68. As indicated in Tables 5.A and 5.B in Part II of this report, almost all the organizations in the United Nations system have been upgrading their computerized financial and other control systems, or installing new ones. More broadly, and in the spirit of the internal controls study cited above, many organizations have been or are now working, sometimes with consultants, to reassess and streamline their overall financial control rules, regulations and systems in a relatively comprehensive process.

69. Perhaps the biggest change is under-way in the United Nations Secretariat, due to General Assembly pressure. Because the United Nations Board of Auditors identified more and more problems with financial procedures and controls, the Assembly called on the Board and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) to give increased attention to internal controls. In resolutions during 1990, 1991 and 1992, the Assembly illustrated the range of internal control issues that governing bodies want to see improved, calling repeatedly for actions concerning:

- more audit coverage and follow-up on audit recommendations;
- confidential reporting of fraudulent resource use;
- stringent inventory controls;
- more effective control of allowance and benefit payments;
- strict compliance with rules governing unliquidated obligations;
- abuses in income tax reimbursements;
- more transparent and cost-effective purchasing policy;
- better control of short-term hires;
- recovery of misappropriated funds; and
- criminal prosecution of those who commit fraud.[36]

70. In response to these and other concerns, the Assembly also called, in its resolution 48/218, for the Secretariat to establish "a new and effective system of accountability and responsibility no later than 1 January 1995."[37] The Secretariat has prepared a report in response to this guidance, which, if implemented, could represent the most extensive updating of internal control components ever undertaken in the United Nations system.[38] Secretariat officials hope in particular that their Integrated Management Information System (IMIS), now under implementation, will provide such internal control processes as full real-time post management, fully-integrated personnel/payroll functions, automated assessment of staff entitlements, integration of procurement and financial obligations, integrated inventory and financial records, on-line cataloguing, and a new account code structure.

71. The organizations do not presently have the managerial capacity or the resources to undertake continuous internal control reassessments. Nevertheless, as indicated by the above initiatives, existing internal control policies and procedures are no longer being taken for granted. Several other internal control aspects with a broader common significance are also worth noting here.

72. First, during 1992 and 1993, CCAQ held a series of meetings of senior accountants of the organizations to develop a body of United Nations system accounting standards

which organizations would, as a first step, apply to their accounts for the financial period ended 31 December 1993. In developing the standards, the organizations drew from the standards of the International Accounting Standards Committee, and worked in close collaboration with the Panel of External Auditors (see Chapter VII). The standards were presented to, and welcomed and approved by, the General Assembly in 1993, with a follow-up assessment report to be made in 1996. In the context of the evolution of these standards, work is now under-way to develop a harmonized presentation of the financial statements of the organizations.[39]

73. Second, some United Nations staff representatives have observed that Staff Rule 112.3 already provides a powerful tool for accountability and control, if implemented. This rule states that:

> "Any staff member may be required to reimburse the United Nations either partially or in full for any financial loss suffered by the United Nations as a result of the staff member's negligence or his or her having violated any regulation, rule or administrative instruction."

74. This concern has already been responded to in UNDP. In September and October 1993 the Administrator issued guidance to firmly support an accountability culture, including full and prompt enforcement of UNDP Financial Rule 103.2 on the financial liability of UNDP officials for action contrary to these Rules and related instructions. A Standing Committee was established to review cases and the liability involved with senior managers held "first and foremost" accountable.[40] UNDP is currently refining the work of the Standing Committee in consultation with other United Nations and UNDP units and based on experience gained, to unify the administrative recovery and disciplinary processes. UNDP has also developed a summary analysis of its accountability mechanisms and a flowchart of the process.

75. In its report for the 1992-1993 biennium the United Nations Board of Auditors welcomed the UNDP Standing Committee as an innovative mechanism for oversight in the United Nations system, and saw much merit in its activities, as it sends a clear signal to staff that they are responsible for the propriety of their actions.[41] In addition, a United Nations ad hoc group of experts recommended in September 1994 that the Secretary-General monitor the UNDP Committee's experience and consider establishing a similar mechanism in the United Nations, as a process to strengthen the deterrence of fraud and other misconduct.[42]

76. The Secretary-General had already prepared a preliminary report in 1993 to explore possibilities for recovery of misappropriated funds.[43] Several other organizations noted to the Inspectors that they are considering renewed attention to clarifying guidance and more actively applying rules concerning fund misuse that are similar to the United Nations Staff Rule cited above. The Inspectors believe that other system organizations should consider the UNDP initiative and experience in deciding on their own future actions in this important area of personal responsibility and financial liability.

77. Third, the concept of "integrity" has often been invoked in recent years in personnel policy dialogue, since the United Nations Charter states in Article 101 that the "highest standards" of integrity shall be a paramount consideration in the employment of staff and the determination of their conditions of service. In their 1993 report on accountability and responsibility in the United Nations Secretariat, the Inspectors noted that the existing Code

of Conduct in the United Nations system was issued in 1954, 40 years ago.[44] It was reissued by the Secretary-General in 1982,[45] but was never updated. The Inspectors believe that it is long past time to issue comprehensive guidance so that the expected standards of ethical behavior in the organizations of the United Nations system are up-to-date, clearly stated, and can and will be enforced.

78. In the August 1994 report cited above, the Secretary-General stated that the 1954 standards of conduct, while sound, were never intended as a substitute for mandatory rules, and do not reflect the responsibilities and circumstances that United Nations staff confront 40 years later. The United Nations Secretariat is now reviewing and updating the entire 1954 standards to enact a truly comprehensive code of conduct for the Organization, which will identify specific ethical guidelines.[46] The International Civil Service Commission (ICSC) hopes to undertake a comprehensive review of the Code of Conduct and issue a revised Code in 1995. Other individual organizations might well want to develop their own ethics code as an adjunct to the system-wide product.

79. Fourth and finally, most of this JIU report is concerned with developing, encouraging, and supporting good management, in an environment with much more creativity, flexibility, and emphasis on results. But every organization must also deal with bad management and managerial incompetence, which reflect not only unwise decisions and actions of individual managers, but broader problems in the entire organization's structure, culture, and/or policies.[47] Poor management by a few managers can greatly damage programmes, demoralize staff, weaken the public image of an organization, and undermine the good work of many other people. Internal controls are the first line of defense to quickly identify problems of mismanagement and initiate corrective action, but good managers and a strong managerial culture are key elements to keep internal control difficulties to a minimum (as highlighted in Chapters IV and V following).

B. Information technology

80. The introduction to this report noted four dimensions of accountability: compliance, negotiated, professional/discretionary, and anticipatory. None of the components discussed in this report more clearly fits the professional and anticipatory accountability dimensions than efforts by the organizations to respond to and best use information technology.

81. Information technology is a dramatic development that is transforming modern management and organizations. It is changing with awesome rapidity and will continue to do so, and it is a complex and difficult area to master. However, recent management analyses suggest that significant productivity gains are now being realized from information technology applications, even in "white-collar" service industries. The current situation has been compared to the introduction of electricity in industry at the beginning of the twentieth century: it took managers of that era about two decades to figure out how to make the best use of their newly electrified factories.

82. The organizations of the United Nations system are currently attempting to keep up with information technology and its uses in a series of significant areas, a task made much more difficult by the small information systems staffs and many competing demands for information technology resources in the organizations. As outlined very briefly below, their basic information technology tasks include ensuring effective and up-to-date computerized

administrative and control systems, developing substantive on-line data bases and new information dissemination channels, and establishing new management controls over information technology.

83. More importantly, each organization has the further responsibility of carefully addressing the broader stages and challenges of effective information technology use:

(a) "office automation" and installation of networks;
(b) comprehensive programme management (not just administrative) information systems;
(c) a guiding organizational information systems strategy; and
(d) thorough workflow analysis to determine how best to apply information technology to operations to enhance organizational efficiency and performance.

84. As discussed in the preceding section, many of the organizations are further computerizing their financial and personnel administration systems. The largest and most costly development effort in the United Nations system, the Integrated Management Information System of the United Nations, has been under development since 1990 at an anticipated cost of up to US$70 million by 1997. The "first release" of this system has been implemented, with work now spreading from New York Headquarters to other United Nations duty stations.[48]

85. In addition, the organizations have also been using information technology to develop many specific systems and data bases for their various substantive programmes. For example, a recent survey in the United Nations Conference on Trade and Development (UNCTAD), not a large organization, found 28 different computer systems which need to be assessed in a coordinated fashion for orderly future development. In addition, the organizations have been active in producing substantive applications software for use worldwide, as catalogued by the Advisory Committee for the Co-ordination of Information Systems (ACCIS).[49]

86. There have also been some significant inter-agency activities. The ACC established a Senior Level Task Force on Information Systems in 1993, to consider how the United Nations system could make its information more available to the public. Recognizing that today's technology could provide major operational benefits as the United Nations system seeks more coordinated and effective programmes, the Task Force reviewed alternatives for network infrastructure and decided that the United Nations system should concentrate its efforts on interlinked information systems. The ACC broadly endorsed these conclusions, and launched a restructuring of inter-agency mechanisms in this area (see Chapter VI). The JIU is presently completing a detailed study, to supplement its studies of 1972 and 1982, on the use of telecommunications and related information technologies in the United Nations system.

87. A central activity of almost all United Nations system organizations is to gather, analyze and disseminate information worldwide in their fields of expertise. In this respect, the Internet, a worldwide computer network with some 30 million users and a rapid month-by-month growth rate, offers United Nations organizations major new opportunities for collaborative work, a new mechanism for disseminating information to the entire global community, and an opportunity to make the organizations immediately accessible to a worldwide group of users and researchers.[50] The ACC Task Force recognized the Internet as a promising alternative with very wide coverage in many parts of the world. At least a

dozen agencies are already making some of their information available via the Internet, and ACCIS produced a guide on using it.[51] The Inspectors also believe that the developments and dynamics of the Internet are an important doorway to the future in global communications, and deserve the closest attention and effective use by the organizations.

88. At the same time, the United Nations system must also maintain its existing printed documentation, in order to serve Member States at all stages of information systems development worldwide. ACCIS published an extensive series of guides, directories, and registers on United Nations substantive activities. In addition, an ACCIS Technical Panel on inter-library co-operation, standards, and management dealt with information sharing matters, in the context of recommendations made in a 1992 JIU report on an integrated library network.[52]

89. Finally, these information system and information technology efforts require new management controls and responsibilities in all the organizations. Two such areas, as discussed in recent ACCIS reports, are issues and guidelines for the management of electronic records[53] and for information system security.[54]

90. The above list of information projects is already crowded, but it still omits the most important information technology tasks. A 1994 survey of almost 800 international information executives in North America and Europe found that their present top information priorities all concern the use of information technologies and networks to support overall organizational strategies and objectives, and to change processes and procedures:

- reengineering organizational processes;
- aligning information services with corporate goals;
- organizing and using data; and
- establishing cross-functional systems.[55]

91. The United Nations system organizations, however, with their modest resources and past low priorities given to information systems development, have fallen far behind this pace. In fact, they are currently striving to develop those information system areas that were priorities in 1989 for the 800 organizations in the survey cited above: setting up system infrastructure, updating and integrating systems, adapting technology and staff, and developing an information-services strategy. Within this "intermediate stage" of information technology evolution, the Inspectors wish to note four important areas where the organizations of the United Nations system are becoming increasingly active.

92. First, many of the organizations have made quite extensive progress in the past few years in "office automation", installing personal computers for the use of almost all staff. The rapid current spread of local area networks facilitates this trend. The process is complex and requires much staff training and on-the-spot support activity. Many of the benefits will require determined effort before they emerge. Nevertheless, this process is already starting to make significant differences. Office networks are a very important tool for breaking up bureaucratic rigidities in the organizations, allowing much freer communication, permitting much greater sharing of needed information and teamwork, and facilitating much more rapid and responsive decision-making than in the past.

93. Second, it is clearly essential to develop a comprehensive information systems strategy to guide subsequent development and ensure that information technology is being

effectively used to carry out the organization's most important programmes. Unfortunately, as this sequence of paragraphs suggests, some organizations have forged ahead with office automation without first establishing a firm strategy. However, as shown in Tables 6.A and 6.B, several of them are working on this critical step: a particularly extensive process has been established in the International Telecommunication Union (ITU),[56] and efforts have been taken, are under-way, or are now planned in many of the other agencies.

94. Third, the most challenging but also one of the most potentially useful information technologies is managerial decision-making systems that incorporate not just financial and personnel information, but planning, programming, and performance information as well. This type of integrated information system is very important to enhance decision-making and programme implementation throughout an organization. As indicated in Tables 6.A and 6.B, several agencies have systematically explored or are entering into this daunting but essential process. The Inspectors were particularly impressed with the efforts and progress being made by the United Nations Children's Fund (UNICEF) to develop and establish a Programme Manager System to provide a unified and worldwide programme information, executive decision-making, programming and management system.[57]

95. Fourth, this report's sub-theme of the importance of systematic work analysis emerges once again in the information technology realm. In a report a decade ago on changing computer use, JIU stressed the essential "productivity-enhancement" nature of computers. It urged the organizations to use computerization to analyze, re-think, modify, enhance, combine, or eliminate organizational tasks to improve programmes and services to Member States.[58] Similarly, a 1987 United Nations evaluation of computerization found that most units were not benefitting from new technologies since they failed to concurrently reorganize work flow and methods. The report urged that such analyses be done, and that productivity gains found in other organizations be closely followed and introduced as well.[59] Secretariat officials said that their new Integrated Management Information System (IMIS), which is now being implemented, included workflow analysis at Headquarters, will incorporate internal automated controls, and is currently applying workflow analysis in Geneva and will also eventually do so at all other duty stations.

96. The organizations in general still seem to do little of this analytical work. Unfortunately, they may merely be automating existing work patterns. This is perhaps understandable in light of all the above systems analysis tasks versus scarce analytical resources. Recently, however, powerful new software programmes have made "workflow" a very potent and fast-growing productivity tool. These programmes chart work-flows, track progress in all stages, pinpoint bottlenecks, prompt corrective action, and encourage staff initiative, with often quite impressive cost-savings and performance results. The Inspectors believe that the organizations need, amid all the other pressing tasks above, to make determined efforts to apply this very important new analytical tool to enhance their operations.

97. These many changing aspects of information systems development show the dynamism of the area. The organizations have had difficulty keeping up, but a sound information systems strategy and priority work in this area are essential to allow them to strengthen overall management and responsiveness, enhance accountability and oversight, and use the power of information technology to best implement their future programmes. As noted earlier, the JIU is considering a review for 1996 of the use of information technology to enhance managerial processes and substantive programmes in the United Nations system.

IV. HUMAN RESOURCES MANAGEMENT

98. The third major component of accountability and oversight in the organizations is found in their managers and staff. In contrast to older ideas of "personnel administration" or "personnel services", human resources management views staff not just as production inputs to be administered, but as essential human assets to be carefully selected, encouraged, managed, and developed in a continuous process of organizational strengthening. The human resources approach, along with information technology, is perhaps the most significant new development which is transforming contemporary management and organizations.

99. The human resources approach involves basic changes in staff attitudes and in organizational culture and procedures. Human resources management encourages innovation, creativity, risk-taking and team effort, as opposed to rigid procedural rules and narrow individual performance goals. Human resources considerations should be firmly integrated into the organization's strategic planning (discussed in the next Chapter). They should also help to restructure internal control mechanisms to provide necessary accountability and oversight measures while eliminating burdensome layers of authority.

100. An organization needs to plan how best to deploy its human resources, to organize the work flexibly to meet changing requirements, and to establish effective performance rewards or sanctions. These tasks require a human resources department, and programme managers throughout the organization, who can plan and manage the entire human resources cycle of work force requirements and availabilities, recruitment and placement, performance appraisal, rewards and sanctions, and training and development.[60]

101. The ICSC has been advocating an integrated approach to human resources management for over a decade. As a cornerstone of human resources management, it has developed common grading standards for the classification of posts, rationalizing internal pay differentials and providing basic, functional job data. In 1982 it presented a study on the concepts of career, types of appointment, career development and related questions to the General Assembly, and stressed the need for a comprehensive approach to efficient management of human resources in the international civil service.[61]

102. In support of the comprehensive approach, ICSC has developed a series of policy products over the years to assist the organizations in building their human resources systems. It has issued, for example, a human resources planning model and a number of studies on recruitment sources, interviewing techniques, and testing, as well as a performance management package. However, successive monitoring reports have indicated a general lack of coherently developed human resource management systems.

103. Some organizations have made quite significant progress. A recent UNDP brochure, for instance, outlines its efforts to improve human resources management by building capacity, upgrading skills, and introducing or reforming human resources management systems. It identifies major changes made in the last five years in ten different areas, and outlines a human resources strategy for the future, as its next round of "managing personnel for change".[62] The Inspectors wish to highly recommend this brochure as a comprehensive but very succinct overview of a dynamic human resources system for coping with continuing organizational change.

104. Managers throughout an organization are recognized more and more as the key to effective human resources management. A 1993 UNDP administrative circular is devoted entirely to the responsibility and accountability of programme managers for the way in which they supervise, communicate with, develop and support all staff members entrusted to their management.[63] Similarly, the General Assembly, in calling for the establishment of a system of accountability and responsibility in the United Nations Secretariat by 1 January 1995, specified that it should include:

> "A mechanism ensuring that programme managers are accountable for the effective management of the personnel and financial resources allocated to them.[64]

105. The JIU recently issued a report on the advancement of the status of women in the United Nations Secretariat. A Chapter entitled "A proper human resources approach" discusses how major personnel issues such as women's status and advancement can be better handled in the future. It explores past personnel administration practices versus the recent strong commitment of the General Assembly, the Secretary-General, and United Nations staff to new personnel approaches which emphasize dynamism, transparency, dialogue, and results. It then proposes a new integrated human resources approach, with an emphasis on strengthened human resources management capacities, much more transparent progress reporting, and measures to ensure accountability and follow-up for human resources programmes in the future.[65] In partial response, the Secretary-General issued a report in late 1994 promising to develop a strategy to "modernize and re-energize" human resources management in the Secretariat.[66]

106. In this Chapter the Inspectors outline two key areas of human resources management that are of great importance to enhance accountability and oversight in the organizations. One is management development, especially training. The second is closely-related management improvement activities. A third and perhaps even more important component, performance management, is discussed in Chapter V.

A. Management development and training

107. The data in Tables 7.A and 7.B in Part II of this report show the mixed picture for management development and training in the organizations of the United Nations system. Some organizations like UNRWA, UNICEF, UNDP, UNFPA, ICAO, ITU, UNESCO, and the United Nations Industrial Development Organization (UNIDO) have made some real progress in recent years toward coherent management development and training programmes. Other organizations, such as the United Nations, the United Nations Centre for Human Settlements (UNCHS (HABITAT)), the United Nations Environment Programme (UNEP), WFP, FAO, the International Atomic Energy Agency (IAEA), and the International Labour Organisation (ILO) are now starting such programmes. In addition, UNHCR has established a strategic framework and a comprehensive, multi-year project to develop a new human resources approach and organizational culture through a Career Management System: one major component is intensive management development training.[67] Still other organizations have only ad hoc management training courses, or rely on occasional external training.

108. CCAQ has been active in this field for years, through regular sessions of its Sub-committee on Staff Training. Although action was limited for many of these years, it has

accelerated recently as the above agencies have established their management development programmes. ICSC, which under its statute has responsibility for the development of training programmes, including at the interagency level, has been channelling its efforts through the CCAQ Sub-Committee. In 1993 ICSC promulgated guidelines for the evaluation of training that were developed with the Sub-Committee, and in 1994 ICSC recommended to the organizations a series of training modules for performance appraisal designed in collaboration with the Sub-Committee.

109. A 1993 CCAQ Sub-Committee report on staff training emphasized that management development (of which management training is only one component) is an integral part of human resources management, a powerful instrument for change, and a critical factor in developing the staff needed to meet the strategic goals of the organizations. It also emphasized prerequisites for establishing a successful management development programme:

(a) top management support and visible commitment;

(b) integrating the organization's strategic vision into management development efforts and into human resources management and planning as well;

(c) a "learning climate" in each organization, highlighting new management skills, techniques, and training needs; and

(d) the direct involvement of managers to help the management development effort succeed.[68]

110. The CCAQ review, however, showed that there is still much to do. More than half the agencies responding did not have a management development programme, and the management training offered is often rather unrelated and haphazard. Funding is limited. Training for use of new technologies is inadequate. Management development still emphasizes training and is not well integrated into human resources management. Measures to assess training results are not well-developed, and problems with performance evaluation and rewards programmes also hamper progress. Above all, strengthening is needed in the management systems that support management development, in managerial competencies, and in organizational values, particularly the "accountability of managers".[69]

111. A number of United Nations system agencies still do not have management development programmes. An overall lack of funds for training is the basic problem. In large agencies with sizeable training programmes, funds have traditionally been oriented toward language training, which has hampered the development of other forms of training. Management development is a major, continuing undertaking for an organization, and calls for a serious financial commitment.

112. In a 1992 review of training as part of human resources development, ICSC observed that training should serve both the needs of management for improved organizational efficiency and the career development of staff. It stressed, however, that in the drive for enhanced managerial effectiveness the training needs of staff should not be overlooked. A decade earlier, the Commission had recommended to the organizations a model for the assessment of training needs which it saw as an essential first step toward evaluating training utility and impact. ICSC also viewed the 1993 guidelines for the evaluation of training mentioned above as an essential corollary to help generate increased support for effective training programmes. As a means of optimizing scarce resources,

ICSC saw its role as fostering an inter-agency approach to the management development and general orientation of staff.[70]

113. Two significant inter-agency initiatives are under-way in this area. Performance-based work tasks are the basis for assessment of managers in most agencies, but they have generally not been supported by the development of managerial competencies. Therefore, CCAQ has introduced the idea of core managerial competencies in the United Nations common system, and work is proceeding in this area.

114. In early 1994 a CCAQ working group reported on the importance of establishing a "performance management culture" in the United Nations system. The report stated that experience in Member States had clearly shown that management competencies were central to a rigorous system of performance review for managers, and it presented a series of principles and active inter-agency procedures to develop such a system.[71] This important initiative continues under active inter-agency discussion. The CCAQ Sub-Committee on Staff Training is also developing a model framework for management development and training to underpin efforts relating to the introduction of greater management effectiveness and accountability.

115. In addition, the Consultative Committee on Programme and Operational Questions (CCPOQ) has launched and sponsored a collaborative inter-agency training effort to strengthen the concept and the role of the team of United Nations development organizations at the country level, and to make the Resident Co-ordinator system more effective in support of national development efforts. The training is provided by ILO's International Training Center at Turin, Italy.[72] Since 1991, over a dozen workshops on management of field level coordination have been carried out, both at Turin and at country level, in response to General Assembly resolutions.[73]

B. Management improvement programmes

116. The above section describes efforts to establish and expand management development and training programmes within an overall human resources management system. Another key component, still in its infancy in the United Nations system, deserves mention because of its importance to a performance culture in the organizations in the future.

117. For years, various "management improvement" programmes have been applied in organizations worldwide with varying results. These efforts began with employee suggestion boxes and cost-reduction efforts and have since expanded to job enhancement, quality circles, and other techniques. The approach which is receiving the most attention and application recently is "total quality management" (TQM), an approach which is now also appearing in some United Nations organizations, and was the subject of a CCAQ workshop in 1992.

118. Total quality management strives to achieve continuous quality improvement, through organization-wide efforts which analyze operational responsiveness and performance based on facts and data. TQM recognizes that organizations, including those in the public sector, have not only internal but external customers whose needs must be

met. It emphasizes involving people - their ideas, initiatives, and creativity - as critical forces in steadily improving organizational services.

119. One of the basic strategies of TQM is collaborative efforts to solve problems. This "team building" is not only an important part of the TQM process, but an important emphasis in modern management practices today. To really improve public sector management, however, team-building requires:

(a) top management support and new, non-bureaucratic processes;
(b) more flexible career development patterns and structures to facilitate temporary task-oriented teams;
(c) training in how to work as a team; and
(d) dealing with new operational questions to enable teams to more effectively coordinate their work, reach decisions, enforce team discipline, and be rewarded for their accomplishments.

120. Another management improvement process presently receiving a great deal of attention worldwide is organizational "reengineering". Emerging from earlier "cost reduction" efforts, reengineering has been widely used for restructuring and "downsizing" in organizations forced to reduce their operations because of financial or funding problems. However, it can have great overall value in healthy organizations as well, as a continuing analytical tool to cut waste, free up resources, and streamline operations, i.e., to question every aspect of existing procedures to find better and more efficient ways of doing things. Whether implemented through a TQM programme, internal oversight or management services units, streamlining of internal controls, or information systems analysis, reengineering can bring significant changes by:

- reassessing organizational purpose;
- repositioning the organization to provide significant services;
- reconfiguring structures for smoother work flow;
- restructuring to make jobs match the reality of the work; and
- revitalizing the organization for on-going competitiveness.[74]

121. As shown in Tables 8.A and 8.B in Part II of this report, management improvement programmes and TQM-related activities are now either under-way or being established in about half the organizations of the United Nations system, both large and small. Many of these programmes are rather substantial, organization-wide efforts, which are or will be carried out as part of a broader strategy to strengthen the management culture and enhance the overall performance of the organization.

122. There is a long distance to go to install such initiatives generally and firmly in the organizations. However, these programmes do represent an effort to involve everyone in an organization in accountability requirements, meet very necessary demands for enhanced performance, and creatively and continuously address rapidly-changing organizational circumstances, as discussed further in the following Chapter.

123. The small management services or management analysis units of the organizations, identified in Tables 4.A and 4.B of Part II of this report, should play a critical role in launching and implementing such management improvement programmes. The Management Coordination and Monitoring Unit of UNIDO, for instance, works as a resource for units throughout UNIDO to help implement quality management principles.

124. The UNIDO unit's activities are based on the idea that a culture of empowerment and responsibility is required if real and continuing improvements in operations are to be achieved. Its work includes reviewing improvements in transparency and reporting to give managers the clear status reports and feedback that they need to manage effectively, and serving as secretariat to the UNIDO Policy and Management Committee to integrate its management support and reform work firmly into overall operations.

125. The Inspectors urged the need to give much higher priority to management improvement work and management services/analysis units in the organizations of the United Nations system in a 1981 report (see discussion in Chapter II.C.). They hope that the much stronger pressures for high-quality management and operational performance of the 1990s can motivate more organizations of the system to make a specific policy and resource commitment to creating or enhancing management improvement and analysis units as an important part of their management cultures and overall operations.

126. As emphasized in each Chapter of this report thus far, regular critical reassessments of organizational routines are absolutely essential in dynamic organizations. Unfortunately, such processes do not yet seem to be widely applied throughout the United Nations system. An excellent example of the need for such actions is a recent letter in a United Nations staff journal. The author, a technical adviser, listed no less than 20 Secretariat signatures that were required to approve his Asian field mission (not counting various unknown initials also added to the papers).[75] Certainly the adviser and all the managers and staff involved in this process should be given much more meaningful tasks than such mind-boggling "red-tape" routines.

V. STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT: THE INTEGRATED MANAGEMENT OF CHANGE

127. The preceding Chapters have surveyed the strengths, weaknesses, achievements and problems of the various internal oversight mechanisms, management systems, and relevant human resources management components in the organizations of the United Nations system. Some significant progress has been made by the organizations overall, particularly recently, in strengthening accountability and oversight and improving management.

128. Due to modest resource commitments and partial reform efforts in many areas and organizations, however, a tremendous amount remains to be done to meet ever-expanding demands with ever-tighter resources. This Chapter deals with four elements that the Inspectors find essential to enable each organization to best respond to constantly changing missions, responsibilities, and conditions.

129. UNDP provides the most advanced example of these four elements, the first of which is strategic planning. While often used in modern business, strategic planning is a relatively new innovation in public sector organizations. It moves away from traditional hierarchical management to emphasize responsiveness to the public, high-quality services, more creative use of staff, and an ongoing planning process that emphasizes the organization's mission and values. The strategic plan attempts to state as clearly as possible what an organization is, what it does, and why it does it, and to develop, adjust, and update strategies to achieve the related goals and objectives.[76]

130. In the fall of 1993 a Transition Team of UNDP staff prepared a "Charter for Change" report on UNDP's vision, goals, and strategies and the organizational changes required to implement them, based on a series of studies done in UNDP over the last two decades. Part II of the Team's report, on "Management challenges", began by citing the need for a new organizational culture in UNDP, drawing on enhanced substance, accountability, extroversion, teamwork, and service. To become a more substantive organization, the Team emphasized that UNDP needed strategic direction and planning, institutionalized in a new, catalytic unit rather than diffused as in the past.[77]

131. In November 1994 the Administrator of UNDP announced the establishment of an Office of Evaluation and Strategic Planning (OESP) in his Office, to make this function distinct and fully recognized in the UNDP corporate structure. The new Office, with 12 professional staff for 1995, will inter alia facilitate strategic planning by the Administrator and senior managers. It will interpret trends likely to affect UNDP and assess changing circumstances and UNDP's response. It will seek to strengthen organizational accountability, and feedback and learning, as essential processes. It will also assist in integrating the layers of policy formulation and implementation, support the review of performance objectives and targets, and work to develop a change-oriented, analytical, and strategic decision-making system throughout UNDP.[78]

132. Two other organizations, one a medium-sized and one a smaller specialized agency, have gone through the same multi-year progression of internal consultations, management studies, extensive dialogue with governing bodies on reforms, and the establishment of strategic planning processes. UNIDO established a Strategy, Policy and Planning Office (SPPO) in 1989, as the result of an extensive management review process. It was converted into the Strategic Planning Office (SPO) in 1994, when a Management Coordination and Monitoring Unit (MCM) was also established to support the process of changing management culture and principles.[79]

133. The ITU has also undergone a multi-year dialogue and development process in its governing bodies and secretariat, and has moved even further in many respects than have UNDP and UNIDO. In 1991, a high-level committee reviewed the "Challenges of Change" to ITU's structure and functioning and launched a series of reform actions. In 1992 a Strategic Planning and Policy Unit (SPU) was established for strategic planning, operational analysis and internal audit functions. In 1992 an extraordinary Plenipotentiary Conference adopted a Constitution and Convention and new structure and working methods. And ITU developed, and the 1994 Kyoto Plenipotentiary Conference adopted, an ITU strategic plan 1995-1999, including organizational and management strategies to enhance ITU effectiveness.[80]

134. As indicated in Tables 9.A and 9.B of Part II, the strategic planning concept is also appearing rather rapidly as a major management initiative in other United Nations system organizations, often with considerable support from executive heads, governing bodies, and expert outsiders. Within the United Nations:

(a) UNCHS (HABITAT) working groups pursued a dialogue during 1994 on organizational goals and strategies, change management, and monitoring of programme direction, effectiveness, and impact;

(b) the International Trade Centre (UNCTAD/GATT) followed a 1990 future-oriented structural review with a 1994 analysis of operations, future orientations, and an action plan;[81]

(c) UNEP introduced a Corporate Planning and Accountability Service (CPAS) in 1994 to help establish a new management culture and fulfill essential strategic planning roles, in conjunction with new advisory and information systems development roles[82];

(d) UNICEF's goals and strategies are brought together under the Plan of Action for the World Summit for Children of 1990 and National Plans of Action supported by UNICEF, with UNICEF giving "highest priority" to credibility,accountability and management improvement in terms of programme impact and results;[83]

(e) UNFPA prepared a medium-term operational strategy in 1992 covering its evolving roles and functions and necessary organizational adaptations;[84] and

(f) the WFP secretariat and governing body and a donor evaluation provided an extensive review in 1993 of WFP policies, objectives, strategies and lessons learned.[85]

135. Several specialized agencies, both large and small, are also moving toward strategic planning approaches:

(a) in 1994 FAO's new Director-General urged initiation of a longer-term programme of strategic change, restructuring, management change, and improved management systems;[86]

(b) in 1992 the ICAO Secretariat and Council worked to develop the structure for a strategic action plan for civil aviation in the future;[87]

(c) the ILO developed an Active Partnership Policy in 1994 as a major reorientation to bring it closer to its tripartite constituency in Member States, enhance the technical services provided, and constantly adapt the content and techniques of ILO action;[88]

(d) The Universal Postal Union (UPU), a very small specialized agency, has been considering the establishment of a strategic planning framework and programme budgeting system following an extensive external review and discussion of its management and functioning that began in 1992.[89]

136. A second element is performance management. As defined by ICSC, which has done the most extensive work in this area, performance management is "the related issues of how to evaluate/measure a staff member's performance accurately and objectively, and how to use that information to enhance individual and organizational performance." A 1993 system-wide review by ICSC disclosed that most performance appraisal systems of the organizations are now "task/performance based", rather than concentrating on "traits and conduct" as in the past. ICSC found most of these systems to be sound, but cited the need for a performance-related management culture. This culture should include greater transparency and understanding of the systems among staff, firmer insistence on objective and rigorous appraisal of performance, and adding competencies (necessary knowledge, skill and ability standards needed in job groups) to task-based performance schemes.

137. During 1993 and 1994, there has been some significant progress in performance appraisal and performance management systems in the organizations. ICSC has updated and analyzed the key principles involved in successful performance appraisal.[90] Several organizations, including UNDP, UNICEF, UNFPA, ITU, UNESCO, and the World Meteorological Organization (WMO), have established new performance appraisal systems in recent years (and UNICEF and UNDP have already reassessed and are strengthening them further).[91] Other organizations such as UNHCR, UNIDO, and WFP are now establishing such systems. And the United Nations has launched a broad effort to establish its own new system and overcome its dysfunctional past performance evaluation processes and constraints. A 1994 JIU report analyzed in some detail the key elements of effective performance appraisal systems, and requirements for successful implementation of the new United Nations system.[92]

138. In support of these efforts, ICSC has developed a package of measures in the area of performance management, including principles and guidelines for performance appraisal and management, a framework for reward and recognition programmes, measures for dealing with unsatisfactory performance, and training modules for performance appraisal. In addition, the CCAQ has launched its initiative, which builds on the ICSC initiative, to establish a rigorous system of performance review for managers throughout the United Nations system and to help institute a "performance management" culture.[93]

139. The CCAQ and ACC dialogue, which continues, has already agreed that managerial performance should be upgraded within the context of the performance management systems of the organizations. Further, the approach must be pro-active, and must lead to the creation of institutional performance cultures where effective performance, efficiency, and accountability are prized objectives. Work is continuing in CCAQ on prototype systems, guidelines, and frameworks to support the efforts already under-way in some organizations.

140. A framework of mission statements, work plans, and performance standards, common to both the strategic planning and the performance management systems and mentioned as a sub-theme throughout this report, is the third element required to pull all the accountability and oversight elements together. The framework and linkage, again as identified by a UNDP Work Planning Task Force, involves:

(a) goals and objectives for obtaining the organization's vision, presented as a Strategic Plan;

(b) biennial management objectives for major units to operationalize this Strategic Plan;

(c) a biennial budget and annual Unit Work Plans based on the management objectives; and

(d) Individual Work Plans, based on the Unit Work Plans, which would be included in Staff Performance Plans, as part of the human resources management process.

141. The direct connection of strategic planning, performance management, and mission statements and work plans with accountability is already underscored in UNDP's new approach. Its 1993 report emphasizes a strengthened culture of accountability as a prerequisite. It then cites a series of steps to be taken to enhance accountability for programme quality and impact and pursue the "highest standards of ethics, transparency and managerial excellence" of managers, in addition to existing efforts to ensure financial and procedural accountability.[94]

142. A fourth element, more comprehensive programme performance assessment, is also included directly in this framework. The Strategy and Management Committee of UNDP has approved an effort to establish a new system for Programme Performance Audit combining audit and evaluation, in a multi-year testing and consultation process. UNDP was advised that mission statements, strategic planning, and a strong commitment to programme planning by management are prerequisites to the establishment of such a demanding system, with its heightened emphasis on performance measurement and analysis throughout an organization. As shown in Tables 9.A and 9.B, several other organizations are also working on more comprehensive performance information and assessment systems, with the diversity of approach indicated by their titles:

- a Results Management system in UNEP;
- the Programme Manager System of UNICEF;[95]
- the Programme Resources Management System of UNFPA;
- a project performance monitoring system (COPR) and a Management and Appraisal of Performance (MAP) System in WFP;
- a Programme Performance Assessment System in IAEA;[96]
- a new monitoring, self-evaluation and reporting system (MERS) in ILO; and
- a new "service management process" in UNIDO.[97]

143. The Inspectors have stated throughout this report their recognition that each organization must decide on its own accountability and oversight actions and reforms relative to its own circumstances. On the matters discussed in this Chapter, however, the Inspectors believe all organizations must act. For too long, "good management" has been a quite minor action area in United Nations system operations rather than a top priority. The current interest in accountability, balanced and enhanced internal oversight units and processes, streamlined internal controls, dynamic use of information technology, and the widespread introduction of human resources management (as well as the ever-tighter financial resources) is exerting powerful pressures for change in the past bureaucratic "organizational culture" of the United Nations system.

144. The 1973, 1982, and 1992 quotes which introduce this report make clear that the organizations for many years had a heavy bias toward programme elaboration, inputs, and "delivery of outputs" rather than toward questions of programme results and performance. Recent governing body reactions indicate that the organizations have still not clearly and convincingly demonstrated their commitment to effectiveness, and they are now being pressured to become much more responsive and flexible organizations for the future. As a recent advisory group on future United Nations financing concluded:

"The future credibility of the U.N. will depend in large measure on the effectiveness of its management, on the quality of its staff, and on improvements in its structure and administration."[98]

145. Regardless of how far the individual organizations have progressed toward concepts like the ambitious "Charter for change" established by UNDP, the Inspectors recommend that each of them at least establish or designate a single focal point unit, located in the office of its executive head, to pursue strategic planning, performance management, and maximally effective accountability. This unit might be staffed by a few people or a dozen; might include evaluation, information systems, or management reform or services units as is being done in several organizations, and might have varying titles. However, its major substantive functions should be to:

(a) regularly assess the changing mission, role, and responses of the organization;
(b) analyze, harmonize and catalyse all the managerial tasks and responsibilities identified in this Chapter and this report; and
(c) support continuing strategic assessment and management improvement actions by top management, and ongoing policy dialogue with governing bodies on these matters (see further discussion in Chapter VIII).

146. The critical role of this focal point unit would be to strengthen organizational flexibility and responsiveness: that is, to integrate the management of change. Organizational improvement no longer involves discrete reforms and improvements, but demands a steady stream of adaptations as circumstances change. Just as internal oversight activities must be balanced and coordinated (as discussed in Chapter II), overall organizational improvement must be coordinated to avoid duplication, confusion, and dissipation of scarce resources among a variety of sub-optimal efforts.

147. "Managing change" is not just a slogan. It involves a major cultural shift for the organization, and a major attitudinal shift for each staff member. Change is always accompanied by fear and psychological resistance. To overcome these barriers, the organizational leadership must redefine accountability to give employees greater freedom and creativity in their work, but within a fair, firm and objective framework of accountability, rewards, and sanctions. It must encourage high-quality performance through supportive management systems and human resource development that focuses on enhancing staff capacity to accomplish objectives and work plans. And it must communicate openly and frequently to staff and governing bodies what changes are underway, why, and what they are expected to produce. In each of these areas, a focal point unit can play the pivotal role.

148. The Inspectors recommend that the focal point units also address five important issues: "contracting out", decentralization/delegation,"benchmarking," competitiveness, and "downsizing". First, "contracting out" of public service functions to specialized private firms has been gradually expanding in the public sector over the past decade. It may often be inappropriate, and is sometimes quite difficult to decide. However, the organizations of the United Nations system already contract out such services as equipment maintenance, information technology, printing, translation, delivery of supplies, housekeeping, and travel. UNDP's contracting out of certain field audit functions, as mentioned in Chapter II, shows that this technique can be used for more substantive processes as well. Periodic consideration of contracting-out possibilities has two great merits. The challenge of outside competition motivates internal units to cut their own costs and come up with new

approaches and better service. It also enhances transparency by gathering valuable information about relative costs.

149. Second, many of the organizations, under the directives of the General Assembly and their governing bodies, are engaged in major efforts to decentralize staff resources and delegate authority away from their headquarters units to regional and field levels, and to ensure sound management of, and increased accountability for, field-level programmes. This is a major ongoing change in United Nations system structures and operations. It will undoubtedly continue as the system receives new and urgent operational mandates, and it will entail important new responsibilities and tasks for agency field representatives. A recent, in-depth JIU report explored the key issues involved in this process,[99] while a new JIU report examines the important substantive benefits and substantial cost-savings possibilities for the United Nations system of new approaches to the management of common premises and services in the field.[100] The continuing process of decentralization will thus have to be entwined with the above strategic and performance efforts and will become another significant aspect of the work of the recommended focal point unit.

150. It is generally recognized that greater accountability involves more "empowerment", i.e., greater delegation of authority to managers over human and financial resources, and less and less burdensome "micro-management" throughout an organization. At the same time, it is extremely important that clear guidance be established. Only then can the important but delicate balance between programme managers' creativity and flexibility and top managers' oversight responsibilities be established, through appropriate delegations of authority, adapted to the local conditions of the organization and understood by all concerned. Several organizations have recently done considerable work on this important topic, and JIU will explore delegation issues as well in its 1995 review of management in the United Nations Secretariat.

151. In this area of structural changes, the Inspectors would urge that any restructuring in an organization should be part of an overall strategic plan; be carefully and transparently analyzed in advance; be fully discussed with governing bodies, managers and staff; and be implemented in harmony with other ongoing change processes and requirements in the organization. The Inspectors noted in their 1993 interim report on accountability and oversight, however, that the many recent restructurings in the United Nations Secretariat, while the clear prerogative of successive Secretary-Generals, risk accentuating confusion and blurring responsibilities. They can disrupt managers' performance records, leave people confused by complex new reporting and functional relationships and, worst of all, may actually serve to avoid accountability through the turmoil of endless organizational reshuffling.[101]

152. Third, "benchmarking" is becoming a useful tool in progressive public and private organizations: it seeks to identify and utilize high-quality services or processes found in similar organizations. Benchmarking is not a casual act of imitation. Building on quality management principles, it involves a careful analysis and comparison of underlying processes, outputs, and results, to understand how the "best practice" found in another organization can be used to improve one's own operations and performance. The Inspectors hope that the many innovative approaches and techniques identified in this report will encourage the organizations to seek out, adopt, and enhance "best practice" in the various major areas of accountability, management improvement, and oversight, and thereby improve their own operations and the future overall performance of the United Nations system.

153. Fourth, in a 1992 report on co-operation with multilateral financial institutions, the JIU found that the operating environment for all kinds of international organizations has become vastly more competitive than ever before. After extensive discussion with hundreds of officials, they found ten factors that are very important for an organization's own success and survival, and for successful co-operative relationships with other organizations as well. They are:

1. **Performance**: timely, effective delivery of a needed service;
2. **The niche**: identification or development of the organization's areas of comparative advantage;
3. **Value-added requirement**: providing a clear value or service which others cannot match;
4. **Pragmatic relationships**: concentration on meaningful co-operative contacts at appropriate levels;
5. **Strategic approach**: formulation and articulation of a soundly-conceived approach;
6. **Market-oriented outlook**: active responsiveness to clientele needs;
7. **Organizational flexibility**: an action-oriented and adjustable organizational structure;
8. **Factual self-promotion**: realistic publicity concerning capabilities and accomplishments;
9. **Competitiveness**: constant performance improvement;
10. **Quality control**: concentration on results.[102]

154. Since 1992, the international financial and operating environment has become even more demanding for all private and public organizations worldwide. For their part, the organizations of the United Nations system increasingly recognize that they must compete for scarce programme funds with other international organizations, non-governmental organizations, bilateral governmental organizations, private firms, and consulting firms. Most challenging of all, they must compete with powerful domestic programme funding and deficit reduction pressures in major donor governments.

155. An examination of the Tables in Part II of this report, particularly Tables 1 (resources), 9 (major recent reforms and initiatives), and 14 (major recent external reviews) indicates that the United Nations system organizations funded entirely, or almost entirely, by voluntary funding (UNHCR, UNRWA, UNICEF, UNDP, UNFPA, and WFP) or those that have recently experienced severe funding cuts (UNESCO and UNIDO) have been among the most dynamic and diligent in pursuing management reforms and improvement. Further, while most agencies have traditionally relied on regular and required "assessed contributions" from Member States, Table 1 shows that in 1993 only about 20 per cent (US$2.75 billion) of total United Nations system financial resources of US$12.80 billion came from approved regular budgets. This great instability of funding sources magnifies the performance pressures ("change or die") on each organization and on the System as a whole.

156. Some very fundamental global changes now under-way only increase this insecurity of the financial resources and its major component -- the staff -- of the United Nations system organizations. A new global survey by the Organisation for Economic Co-operation and Development (OECD) analyses unemployment issues in a world of rapid change, intensified global competition and labour flows, and inadequate national policies.[103] These powerful forces are leading to major and deep-seated changes in the workplace, and in the very nature of work, management, and careers in large organizations.[104] A new book indicates that all these forces may lead member countries to be much more selective

in deciding which international organizations and programmes can best utilize their scarce financial resources.[105] In addition, the latest annual report by the Development Assistance Committee of the OECD states that western nations' aid to developing countries fell in 1993 to its lowest levels in 20 years, caused by budgetary austerity in the donor countries, and not only looks unlikely to recover soon but could trigger a "vicious circle" of inadequate aid for development.[106]

157. These developments may sound melodramatic, but they are precisely the kinds of changing environmental factors which the organizations ignore at their peril, and which strategic planning is designed to deal with. This leads to the fifth, last, and undoubtedly most difficult and unpleasant, strategic management issue which the organizations must face.

158. "Downsizing" (i.e., the reduction of financial and staff resources of organizations) is not unknown in the United Nations system. Over two decades ago, ILO encountered serious financial pressures, as did UNESCO a decade ago. Recently, UNIDO has had a similar experience, and other organizations, including the United Nations and UNDP, are currently facing the pain of sharp organizational cutbacks.

159. No system organization can take for granted that it will not be forced at some point to sharply curtail its operations. To minimize pain for those staff who must leave (and for those who remain nervously behind), a very important task of strategic planning and performance management should be to prepare for this possibility before the need arises. Once again, UNDP has already acted, not only through programmes for planning and change management and career and personal counselling in its Division of Personnel, but also through a programme of agreed separations to handle substantial cuts in posts, in particular through early retirement offers.[107] The Inspectors have the impression that most other organizations have not yet properly prepared for this unpleasant eventuality, with the resultant risk that any such cutback, if it comes, will probably do much needless damage not only to staff welfare and careers but to the organization's programmes as well.

160. The United Nations system organizations have still, by and large, been spared the stresses and strains of downsizing, although the process has been widespread in many public and private organizations worldwide under the relentless global economic, policy and financial pressures outlined above.[108] While the Inspectors hope that this situation will continue, and that steady performance improvement will overcome any tendency to funding decreases, they believe that determined enhancement of accountability, a performance management culture, alert strategic planning, and oversight will be critical factors in maintaining the system's programmes.

161. "Reengineering" was already mentioned in Chapter IV of this report as a management improvement process useful both in downsizing situations and in healthy organizations as well. A new book concludes that many organizations have had poor results with reengineering during the past few years, and that the key problem, as with so many matters discussed in this report, is management itself. Rather than chopping the organization apart, the book urges managers to lead organizational changes, whether forced or voluntary, by showing foresight, creativity and adaptation; communicating clearly with staff at all stages of the process; building teamwork for change implementation; and supporting, measuring and managing higher-quality performance in order to inflict minimal damage on the organization, its staff, and its programmes.[109]

VI. INTER-AGENCY ACTIVITIES

162. The three remaining components of accountability and oversight are outside the individual secretariats of the organizations. The first, inter-agency activities, represents for United Nations system organizations a significant part of the third level of accountability identified in Chapter I: professional/discretionary accountability, i.e., the voluntary initiatives taken by an organization to enhance its professional standards, management systems and technologies, and services.

163. The six formal and informal inter-agency bodies that work in areas particularly relevant to accountability and oversight are briefly identified and briefly described in Table 10 of Part II of this report. All of them have been in operation for at least ten years and often much longer (but with some restructuring along the way). They have very small secretariats, if any, and limited resources. This Chapter briefly summarizes the major recent activities of each.

164. The extensive ACC network of committees and subsidiary bodies has been sharply criticized by governing bodies and agencies themselves over the years as a crowded and cumbersome structure where aggressive agencies pushed their agendas while others "defended their turf", and where the large agencies dominate while the small ones can scarcely participate. These tendencies inevitably continue and inter-agency work still involves much debate and discussion, since each agency has its own particular mandates from its governing bodies and co-operation must be worked out on a voluntary basis to mutually benefit all those who participate. In 1992 and 1993 ACC reviewed and reformed its existing structure, to make its operations more selective, pragmatic, and action-oriented.

165. Despite these problems, however, these inter-agency bodies play a quite important, and increasing, role. Three aspects should be noted. First and foremost, they have made some quite significant contributions to more effective accountability, management systems, management improvement, and oversight work in the System in the past few years, as very briefly outlined in this Chapter, in Table 10 of Part II, and as discussed at various points throughout this Part of the report. They provide an important opportunity for cross-fertilization of ideas, discussion of "best practices", and co-ordination and harmonization across the system wherever possible. Particularly in light of the serious performance and funding pressures which the United Nations system currently faces, they have a very essential integrative role to play. The Inspectors hope that the organizations will give maximum encouragement and support to their efforts.

166. Second, these groups function, among other things, as "professional associations" within the United Nations system. JIU knows from hosting inter-agency evaluation meetings from 1977 to 1984 that such gatherings can be an extremely important opportunity for staff in very small units in their own organizations to exchange ideas and experiences with their counterparts in other organizations, and to learn what techniques and approaches work and which do not. The meetings also allow organizational representatives to discuss common problems and activities and, most importantly, to work toward the development of common standards and approaches.

167. Third, the inter-agency bodies function in a direct and practical way as a network to facilitate career development. Since so many of the internal oversight and management units are small, inter-agency movement provides very useful career alternatives. For

instance, the Inspectors encountered a number of instances in which junior staff from larger agencies and units moved to positions of greater responsibility in small agencies and units, and then, after proving themselves, moved on to higher-level positions in other larger organizations.

168. This pattern of inter-agency movement applies for both oversight staff specialists and general management people. It not only offers new career paths to people who might otherwise be trapped in dead-end jobs, but also provides a significant exchange of ideas and experience among accountability, management, and oversight units throughout the system. The Inspectors believe that this pattern benefits both the staff and the organizations, by providing diverse advancement opportunities within a network of hundreds of people. They would encourage all the organizations to support their own staff who have the opportunity to further their careers in this way, to seek out oversight and management staff from other agencies wherever possible, and to utilize contacts made through inter-agency committees and working groups for these purposes as well.

169. The **CCAQ** is the oldest, and probably the most extensively involved, inter-agency body in accountability and oversight issues. Its recent significant initiatives on questions of system-wide management development and establishment of a "performance management culture" have already been noted, as well as its assessments and developmental work on management training and performance appraisal processes, its recent work to develop accounting standards and harmonized presentation of financial statements for the United Nations system, and its periodic discussions of fraud and disciplinary matters.

170. **The representatives of internal audit services** now number more than 20 organizations including the multilateral financial institutions, and have been meeting for almost three decades. In recent years, the group has continued its long-standing efforts to develop standards and guidelines for internal audit work overall and in specific areas. It has also focused on such issues as audit of the accomplishment of programme goals, common audit training, work planning and risk assessment, the application of international accounting standards, information system security, quality assurance reviews, and the extensive surveys of internal audit mandates and structures already discussed.

171. In 1993 **CCPOQ** succeeded the Consultative Committee on Substantive Questions, which operated throughout the 1980s. Among its activities relevant to accountability and oversight issues, the 33 participating organizations and small secretariat of CCPOQ focus on ways to enhance the programming, implementation and cost-effectiveness of operational activities for development, particularly in light of General Assembly resolutions 44/211 and 47/199. CCPOQ also provides an overview and monitoring mechanism for United Nations system programme responses, objectives and strategies, and deals with specific issues such as national execution and implementation arrangements, the country-level resident coordinator system, and inter-agency training in the management of field coordination.

172. **The Joint Consultative Group on Policy (JCGP)** is a grouping of funding agencies (UNDP, UNICEF, UNFPA, WFP, and the International Fund for Agricultural Development (IFAD), chaired informally by a different agency each year. JCGP working groups have a leading role in simplifying and harmonizing operational procedures, and in other major issues such as decentralization, field premises and services, and new modalities and approaches to technical co-operation. Its Sub-Group on Harmonization has achieved adoption by agencies of auditing principles and standards and a definition of management audit. The

JCGP is preparing common guidelines for audits of programme and project cycles and operations. It is also finalizing a report on harmonization of monitoring and evaluation, and working step-by-step toward a manual on programme cycle management requested by the General Assembly.

173. The UNDP took over informal backstopping of inter-agency internal evaluation efforts from 1984 forward, in the form of an **Inter-Agency Working Group on Evaluation** (the IAWG). A recent assessment of nine years of IAWG experience emphasized its role as a forum for UNDP and its executing agency partners to discuss evaluation issues. Initially, the group focused on the compatibility and harmonization of evaluation procedures, and in a second phase concentrated on refining the substance and techniques of evaluation, such as lessons learned from evaluation, elements of success, evaluation of headquarters programmes, thematic evaluations, programming and monitoring processes, and strengthening government capacities in evaluation. Most recently, the group has been working on the harmonization of monitoring and evaluation approaches as sought by the General Assembly. It is also dealing with evaluation feedback into operations, monitoring and evaluation of nationally-executed projects, acceptable resources for evaluation, and operational problems in the shift to programme-based monitoring and evaluation.

174. The sixth and last relevant inter-agency group is the new **Information Systems Co-ordination Committee** (ISCC) which replaced ACCIS during 1994. As discussed in Chapter III.B, a Senior Task Force recently made recommendations on the information systems approach needed by the United Nations system, especially as regards information-sharing with the public. The ACC subsequently decided that the new ISCC will primarily concentrate on a reduced number of technical task forces, and will reduce staff to only one professional.[110] It will also apparently phase out the past information coordination work carried out in the ACCIS secretariat, such as the Register of Development Activities of the United Nations system mandated by the Economic and Social Council (ECOSOC) in 1982.[111]

175. Information processing has long been recognized as one of the most essential and vital functions of the United Nations system, especially in a world where the "information revolution" continues its explosive growth and even the most developed countries cannot keep up without international co-operative programmes.[112] ACC observed in 1982 that the United Nations system is "in the information business" and that "information gathering, analysis and dissemination is the stock-in-trade of the organizations". ECOSOC at that time also cited information as "one of the most valuable resources...of the United Nations system". It urged the creation of an ACC subsidiary body (which became ACCIS) to ensure efficient information systems, enhance information processing capacities, avoid duplication, and ensure compatibility and the effective development and use of information technology in the United Nations system, all bearing in mind the need to respond to and serve information users in Member States.[113]

176. The Inspectors find the work accomplished by the above Senior Task Force to be a significant step forward. However, they would note, as did the ACCIS Chairman in 1993, that it should have focused on the information issue itself, rather than just the technology.[114] This concern is heightened by the fact that the new ISCC had still not appointed its single professional staff member by the end of 1994, and that its important task forces on strategic planning and information access and documentation appear to have gotten off to very slow starts.[115]

177. As observed in Chapter III.B of this report, full use of the potentials of information technology is critically important to effectively fulfill the organizations' basic missions and mandates, but comprehensive strategies are still lacking. The Inspectors are concerned that ACCIS/ISCC functions may be downgraded at a time when they are most needed, not only in each organization but for important inter-agency efforts. The Inspectors hope that ECOSOC and other governing bodies concerned with substantive information functions in the United Nations system will closely follow the evolution and performance of the new ISCC. The Inspectors expect, for their part, to include consideration of ISCC progress in the review of information technology use in the System that they are considering for 1996.

VII. EXTERNAL SYSTEM-WIDE OVERSIGHT BODIES

178. The preceding chapters have surveyed internal accountability, management improvement, and oversight units and processes, as well as inter-agency activities. These last two chapters, on external system-wide oversight bodies and oversight governing bodies, survey those external mechanisms of the United Nations system which strive to assure the proper working of internal accountability and oversight units and processes, as well as to enhance management at all levels of the organizations.

179. The external system-wide oversight bodies are the General Assembly's ACABQ, the General Assembly and ECOSOC's Committee for Programme and Coordination (CPC), the ICSC, the JIU, and the external auditors and the Panel of External Auditors of the United Nations, the Specialized Agencies, and the International Atomic Energy Agency. Table 11 in Part II of this report provides an overview of the organization and functions of these bodies, as well as information on their financial resources (although this last aspect is very difficult to determine specifically and comprehensively due to the widely varying funding methods used).

180. The human resources of these bodies can also only be approximated because of their diverse circumstances. However, in rough terms they have in total about 137 professional-and-above person work years at present, of which 121 (88 per cent) represent relatively "full-time" oversight work, and about 16 (12 per cent) part-time attendance at oversight meetings. The total external oversight years (137) are almost exactly half that of the total internal oversight staff posts (272) discussed in Chapter II. Thus, external oversight work years must cover twice as many resources: some $93 million per each external oversight work year of the total annual United Nations system expenditures of $12.8 billion in 1993.

181. As is true of internal oversight, auditors are the dominant group. The external auditors represent about 71 of the 137 total external oversight work years (52 per cent). The 19 JIU Inspectors and staff add another 14 per cent, and the roughly 17 ACABQ years (mostly its part-time members) represent a further 12 per cent. The ICSC (about 24 work years) technically provides about 18 per cent of the total, but most of its 21 staff posts are for salary, allowances, and cost-of-living surveys rather than personnel policy work. Finally, the CPC has only about 6 total work years, comprised primarily of the time that Member State representatives spend at its meetings.

182. As the above data indicates, the external system-wide oversight bodies have varying mandates, extremely broad areas to cover, and modest resources. Assessments of the status and activities of external oversight bodies were requested periodically in the past, and in 1992 the General Assembly again requested a review of their roles and activities to improve their effectiveness.[116] The Secretary-General prepared a brief report in late 1994 summarizing the situation and the views of the ACABQ, the Board of Auditors, and the JIU, and providing his own views.[117] In addition, the Board of Auditors[118] and the JIU[119] provided their own comments on external oversight matters during 1994, while the ICSC presented an extensive review in 1993 of its work to promote sound personnel management, as well as an overview of the implementation of its decisions and recommendations.[120]

183. These various reports indicate new directions and initiatives in the work of these bodies. It is clear that just as the secretariats need to consider how best to strategically organize and concentrate their work in an era of rapid change, the external bodies need also to ensure that their work addresses priority concerns and helps to advance the performance and impact of the programmes of the System in a more strategic way and with maximal cost-effectiveness. In particular, the Inspectors believe that these bodies can, and will, increase their efforts at collaborative work programming and interaction, in order to avoid duplication and overlap and to assure mutually-reinforcing external oversight efforts.

184. **Advisory Committee on Administrative and Budgetary Questions**. The General Assembly established the ACABQ in 1946 to examine on its behalf the budgets of the United Nations as proposed by the Secretary-General, to examine the administrative budgets of the specialized agencies, and to advise the Assembly on any administrative and budgetary matters referred to it.[121] Currently ACABQ numbers 16 members, appointed by the General Assembly in their "personal capacity" for three-year terms without limitation as to reelection, and chosen on the basis of an established system of geographical representation. Each year the Advisory Committee elects its Chairman and, from 1992, also a Vice-chairman.

185. ACABQ's basic mandate has remained virtually unchanged from 1946, but its role and influence in the administrative and budgetary domain of the United Nations has expanded greatly over the years. As a result ACABQ has become an indispensable element in Fifth Committee sessions through its required reviews, comments on reports, recommendations, and advice on virtually all items on the Fifth Committee's agenda with the exception of the scale of assessments and certain issues of personnel policy. When the General Assembly's Fifth Committee is not in session, the ACABQ acts on its behalf pursuant to an explicit delegation of authority, most importantly with respect to the regular and peace-keeping budgets.

186. Besides playing an important oversight role with regard to administrative and budgetary issues of the United Nations, ACABQ also reports on system-wide administrative and budgetary co-ordination. ACABQ's reports on these matters provide information on extrabudgetary resources, number of staff, and the working capital funds of all United Nations system organizations.

187. ACABQ is widely regarded as a well-functioning and valuable organ of external oversight. Its long experience, its well-defined and important powers, its professional reputation, the continuity of its leadership and the expertise of its secretariat contribute importantly to its well-merited reputation and impact. The ACABQ advisory and oversight functions and areas of coverage (e.g., peace-keeping) have increased to such an extent that the traditional Spring and Fall seasons have become inadequate in length to permit it to discharge fully its responsibilities. A number of suggestions have been advanced to ameliorate this problem:

(a) The conversion of ACABQ into a year-round operating organ;

(b) The creation of two chambers within the ACABQ: one for traditional items and the other for the expanded peace-keeping operations;

(c) Another possibility is for ACABQ to take advantage of the expressed willingness of the JIU to accept specific investigative assignments which ACABQ does not have resources or the time to undertake itself, as discussed in the JIU annual reports of 1991 and 1993.[122]

188. **Committee for Programme and Coordination.** CPC is composed of 34 Member States, elected by ECOSOC and the General Assembly for three-year terms, on a geographical basis, without limitation of reelection. CPC is the main subsidiary organ of both the General Assembly and ECOSOC for planning, programming and co-ordination and reports directly to both.

189. The CPC has passed through a long evolution. Created first in 1966, its mandate has undergone changes, but presently consists of reviewing the programmatic aspects of the United Nations budget, its medium-term plan, matters of evaluation and of system-wide co-ordination. The High-Level Intergovernmental Expert Group to Review the Efficiency of the Administrative and Financial Functioning of the United Nations (Group of 18) of 1986 stressed the importance of CPC as an external oversight organ.

190. Over the years, consensus has become a fully established and observed decision-making process in the CPC. Although it has worked reasonably well, on a number of controversial issues, for example setting of priorities in the programme budget and medium-term plan, recommendations were so general that their practical value and impact were not commensurate with the great efforts required to arrive at them.

191. From time to time, there have been discussions on the rationale of keeping two separate bodies, CPC and the ACABQ, for reviewing the different aspects of the United Nations programme budget (programmatic by CPC, financial by ACABQ). On a number of occasions Member States have shown preference to keep the CPC as is and have also demonstrated the importance they attach to the work done by the CPC. Evidence of this is the high attendance at CPC meetings of observers from Member States and international organizations who outnumber CPC members themselves. The Inspectors believe the co-existence of the two bodies to be an important issue, but one whose scope in not within the limits of the present survey.

192. Except for its Secretary, the CPC does not have its own secretariat for substantive support but depends upon assistance from the relevant departments of the United Nations. This arrangement, while not a heavy financial burden, could nevertheless affect the independence of CPC's conclusions and recommendations.

193. **International Civil Service Commission.** According to its Statute of 1974, the ICSC has been established for the regulation and co-ordination of the conditions of service of personnel under the United Nations common system of salaries and allowances.[123] Besides the United Nations, eleven specialized agencies (ILO, FAO, UNESCO, ICAO, WHO, the International Maritime Organization (IMO), UPU, ITU, WMO, the World Intellectual Property Organization (WIPO), UNIDO) and the IAEA have accepted the Commission's statute. Although the General Agreement on Tariffs and Trade (GATT) and IFAD have not formally accepted ICSC's statute, they participate in the common system on a de facto basis. The World Bank Group and International Monetary Fund organizations have not accepted the ICSC statute and do not participate in the common system.

194. The functions and powers of the Commission are broad and cover all aspects of personnel matters. In particular, the Commission makes recommendations on conditions of service, salary scales, post adjustment, allowances, benefits, and staff assessment. It also formulates recommendations to the organizations of the common system on standards and sources of recruitment, establishment of rosters of candidates, competitive examinations, career development, training, evaluation of staff performance, and

development of common staff regulations. The Commission's regulatory functions include the establishment of job classification standards, classification of duty stations and rates of allowances and benefits, as well as travel standards.

195. The ICSC does differ from the other system-wide oversight bodies in important respects. First, as noted above, it has substantial operational responsibilities for such things as reviewing employment conditions, post adjustments, and subsistence allowance rates in System duty stations around the world. Second, its "oversight" responsibilities can be argued to flow from various articles of its Statute, whereby it makes recommendations and decisions on appropriate elements of conditions of employment of the common system staff, and regularly reports thereon to the General Assembly, other governing bodies, and executive heads, and then follows up on implementation of these matters.

196. Experience has shown, especially in the past few years, how difficult and contentious are the issues of harmonization and standardization of salaries and conditions of service covering the whole United Nations system. Particularly controversial among the organizations participating in the common system is the question of whether the United Nations remuneration system is competitive enough - in relation to other international organizations and the private sector - to attract high-calibre professional staff.

197. Another contentious issue is whether or not the ICSC is entitled "in its own right" to be represented at governing body meetings where proposals pertaining to salaries and other conditions of employment are to be discussed. The General Assembly has so recommended, but the ACC has stated that "it would not be beneficial to impose the participation of the Commission at meetings of governing bodies: nor would it be legally feasible to ensure the Commission's participation, in its own right, at such meetings. Such participation should, as one governing body has already decided, best be left to the discretion of the concerned executive heads."

198. The Inspectors believe that if the ICSC is to perform its oversight role effectively it should be accorded access to meetings of the United Nations common system organizations whenever matters within its sphere of responsibility are discussed and that any legal impediments to the contrary should be resolved accordingly.

199. **Joint Inspection Unit**. After more than a decade of existence on an experimental basis, the JIU was established permanently by the General Assembly in December 1976, taking effect from 1 January 1978[124]. The Unit is responsible to the competent legislative organs of the participating organizations which have accepted its Statute, namely the United Nations (and its affiliated bodies, e.g. UNDP, UNICEF, UNFPA, WFP), ILO, FAO, UNESCO, ICAO, WHO, UPU, ITU, WMO, IMO, WIPO, UNIDO, and the IAEA. The Unit is a subsidiary organ of most of the legislative bodies of these organizations.

200. The JIU consists of eleven Inspectors who serve in their personal capacity for a duration of five years, renewable once. They are chosen from among members of national supervision or inspection bodies, or from among persons of a similar competence on the basis of their special experience in national or international administrative and financial matters, including management questions. The Unit is assisted by a secretariat.

201. The salient features of the functions, powers, and responsibilities of the JIU pursuant to Chapters III and IV of its Statute are as follows:

(a) The JIU's aim is to improve management and co-ordination in the United Nations system: it is the only organization that has the authority to review, investigate, inspect and evaluate the System's organizations and programmes both on an individual and a system-wide basis;

(b) Its functions are:

(i) to provide an independent view aimed at improving management and methods, and at achieving greater co-ordination between the participating organizations;

(ii) to determine whether activities undertaken by these organizations are conducted in the most economical manner and that the optimum use is made of available resources;

(iii) to assist intergovernmental bodies in the external evaluation of programmes and activities and to advise participating organizations on methods for internal evaluation; and

(iv) to propose reforms or make recommendations to the competent bodies of the participating organizations;

(c) It acts as an external independent oversight body for the legislative bodies of the participating organizations and serves these organizations by assessing and evaluating the effectiveness of the United Nations system through inspections, investigations and evaluations.

202. The Unit is responsible for preparing its annual programme of work, based on requests by Member States voiced in the legislative bodies of the participating organizations or expressed in the form of their resolutions, on requests by the participating organizations and on initiatives by the Inspectors themselves. The Unit issues reports in which Inspectors state their findings and recommended solutions, notes, and confidential letters. The latter two are submitted to executive heads for their use as they see fit. Executive heads of organizations are requested by the JIU's statute to ensure that recommendations contained in JIU reports and approved by their respective competent organs are implemented.

203. The JIU presently concentrates its efforts of inspection, investigation, and evaluation in four priority areas: managerial, administrative and budgetary operations; operational activities for development; peace-keeping; and humanitarian issues. Its reports in these areas are considered by the legislative bodies of the participating organizations as well as by executive heads.

204. The JIU is generally recognized as an external accountability and independent oversight system-wide body. However, the JIU, like most if not all of the external oversight bodies, has resources insufficient to match the dimensions of its responsibilities. Under these circumstances it is essential to focus JIU resources on the most pressing issues. In this connection, the interaction among Member States, the participating organizations, and the JIU is essential. The Inspectors see this tripartite interrelationship of particular relevance for enhancing the productivity and efficiency of the Unit. Within its limited resources the Unit should continue to respond to specific requests by Member States and participating organizations. This could be further enhanced if other oversight bodies like ACABQ and CPC would suggest topics for inspection, investigation and evaluation by the JIU. The Inspectors not only welcome such specific requests but urge them to do so.

205. Besides its relationships with Member States and the participating organizations, the JIU will have to maintain close and direct relationships with other accountability and

oversight bodies both internal and external. The important elements in these relationships relate to co-ordination of activities, avoidance of duplication and the possibility of reaching some common strategies. One should differentiate here among the mandates and scope of work of these bodies as well as the difference between internal and external bodies.

206. In this connection, the JIU completely agrees with the views of the Panel of External Auditors of February 1994 that "external and internal audit should be kept separate because they fulfil different roles."[125] This rule can and should be extended to other internal and external bodies besides those dealing with audit per se although for the same reason: internal mechanisms are subordinate to the head of the organization unless they are also tied and related to the legislative body in terms of appointment, staffing, funding and reporting (as discussed in the 1993 interim JIU report on accountability and oversight in the United Nations Secretariat).

207. In contrast, external oversight mechanisms should conduct independent examinations and provide independent views to legislative bodies rather than just to heads of organizations. Furthermore, internal bodies, including for example, the new United Nations Office of Internal Oversight Services, should themselves be subject to monitoring and oversight. This can be accomplished by external oversight bodies responsible to Member States, such as JIU and the external auditors.

208. **External Auditors**. The Board of Auditors of the United Nations comprises three members, currently the Auditors-General of the United Kingdom, Ghana and India, who are appointed by the General Assembly. The external auditors of the specialized agencies and the IAEA are appointed by the governing bodies of those agencies. The Auditors-General of the United Kingdom, Germany, France, Switzerland, Austria and Canada all have external auditor responsibilities.

209. All external auditors and the Board of Auditors are appointed in accordance with the Financial Regulations, and the Additional Terms of Reference Governing External Audit, of the bodies in question. They require the external auditor to carry out a financial audit of the organizations, provide an audit opinion, and report on the financial statements.

210. The Financial Regulations also provide for the external auditor to carry out studies into the efficiency of the financial procedures, the accounting systems, the internal financial controls and, in general, the administration and management of the organization. The external auditor is charged with bringing to attention wasteful or improper expenditure of money or other assets, notwithstanding that the accounting for the transactions may be correct. The results of these studies are presented to the organizations' governing bodies along with the financial statements of the organizations and the audit opinion.

211. **Panel of External Auditors**. The Panel, established by the General Assembly in 1959,[126] is composed of the three appointed members (Auditors-General of Member States) of the United Nations Board of Auditors, and the appointed external auditors of the specialized agencies and the IAEA. At present, eight countries provide external auditors for the organizations of the United Nations system: Austria, Canada, France, Germany, Ghana, India, Switzerland, and the United Kingdom.

212. The Panel's objective is to promote best accounting and auditing practice in the United Nations system through co-ordination, co-operation and exchange of information amongst its members. In achieving this objective, the Panel may submit opinions,

observations, or recommendations to governing bodies through the ACABQ; and to administrations of United Nations organizations through the ACC or the CCAQ. The Panel meets regularly at least once a year, and may, from time to time, hold special sessions. A Chairman and Vice-Chairman are elected at each regular session. Costs of Panel sessions are borne jointly by the host organizations and the external auditors, though some element of the external auditors' costs may be covered in the fees charged by the external auditors.

213. In recent years, through the development of audit guidelines and the Panel's Common Auditing Standards, the Panel has made major efforts to ensure that external audit in the United Nations system is consistent with best professional practice, as reflected in guidance issued by the International Organization of Supreme Audit Institutions (INTOSAI) and relevant pronouncements of the International Federation of Accountants.

214. The Panel has also been involved in initiatives to advance accounting practice in the United Nations system. In 1991, the Panel made an interim study on the need for system-wide accounting standards, and played a major role in the standards subsequently developed and endorsed by the General Assembly in December 1993. More recently, the Panel has co-operated with the CCAQ to assist in the harmonization of the format of financial statements in the United Nations system.

215. In addition, the Panel reviewed the Information Security Guidelines developed by ACCIS. It has given ACC its views on independent financial audits of the system, and on management reviews of the system on behalf of individual States. It has proposed changes in the content and presentation of Pension Fund actuarial valuations and financial statements. The Panel has also sought to improve co-operation with the JIU, and during 1994 provided its views on how oversight functions can be improved[127].

VIII. OVERSIGHT GOVERNING BODIES

216. The final components of accountability, management improvement, and oversight activities in the United Nations system are oversight governing bodies, and the closely related issue of effective reporting to them.

A. Governing body oversight activities

217. Tables 12.A and 12.B in Part II of this report show that a number of organizations have actions under-way to appraise, streamline, rationalize, and reform the functioning and work methods of their governing bodies, with some considering this as a regular established agenda item. The tables also show that in almost all cases the main oversight governing bodies or sub-bodies of the various organizations meet quite infrequently, usually for only a few days or weeks a year, only part of which may be spent on oversight of implementation and performance matters.

218. Discussions of how best to strengthen legislative oversight in the organizations has gone on for years, with many unsuccessful or partial efforts at reform. A significant recent effort was initiated by the Nordic UN Project in 1991. Its final report noted that the United Nations was originally designed as a system of political assemblies to resolve common problems. However, in recent years the operational activities of the United Nations system have evolved rapidly but in an ad hoc and piecemeal fashion, without a coherent organization for effective and efficient implementation. The report found it difficult for Member States to get an overview of these diverse activities, and cited a problem in setting priorities, since even on operational matters General Assembly and ECOSOC decisions and resolutions were mostly consensus-seeking compromises of great generality which provided little guidance.

219. The Nordic report called for thorough analysis and reform to make the United Nations system more transparent, responsive and accountable. In particular, it urged the establishment of smaller governing bodies to provide a more effective form of executive governance so that the organizations would have the necessary support and guidance for their activities on a continuous basis.[128]

220. These ideas for streamlined and more coherent intergovernmental machinery were put to the test at the forty-eighth session of the General Assembly in late 1993. The Secretary-General led an effort at "intense negotiations" to recast and streamline General Assembly and ECOSOC work. However, the effort foundered on the issue of numerical and regional composition of such bodies, with smaller countries seeking active participation in contrast to the Nordic search for smaller memberships.[129]

221. Subsequently, some changes in ECOSOC functioning and new Executive Boards for better operational oversight and improved transparency for UNDP/UNFPA, UNICEF, and perhaps WFP were agreed to, with slightly reduced memberships. These measures are to be comprehensively reviewed, and possible modifications considered, in 1995, in an attempt to combine universality with efficiency and to ensure transparency in decision-making.[130] During 1994 the new Executive Boards agreed on harmonized presentations of budgets and accounts to obtain greater financial transparency and comparability. They

have also sought to streamline their work and documentation flows, and will be working to build improved policy-making processes with ECOSOC.

222. A new report on renewing the United Nations system offers many ideas to enhance the organizations' decision-making machinery and operational oversight. The authors cite problems of unproductive documentation (see next section), lack of use of modern technology to speed deliberations, uneven delegation capacities, and lobbying by staff. They emphasize the need for more effective governance of operational activities through greater accountability and oversight, decentralization of governance of programming down much closer to the implementation level, and a much sharper focus on top priorities. Equally significantly, they analyze the major problems of antiquated work calendars and the need for an "integral chain" to streamline the entire flow of business through the organizations' intergovernmental machinery.[131]

223. While these and similar reform activities continue in governing bodies throughout the system, one critical point must receive constant emphasis. Governing bodies have the pivotal role in setting the tone for their entire organization. They must show through their actions and determined follow-up that they give high priority to firm accountability, management improvement, effective oversight, the establishment and maintenance of a performance culture, wise use of resources, dynamism and responsiveness to changing conditions, and maximum possible fulfilment of organizational missions and objectives.

224. The Inspectors, in defining accountability in Chapter I, noted that not only are secretariats responsible to governing bodies for wise resource use and programme results, but these bodies are themselves responsible in turn to Member States and publics for these same matters. Governing bodies, directly representing those whom the organization serves, must set the example. They, more than any other participants, should be a steady driving force for improvement, including insistence on the firm application of rewards and recognition for good performance, and corrective action and (if necessary) sanctions for poor results. If they do not seriously and consistently pursue these matters, managers and staff in the secretariats will only pay lip service to accountability and oversight, and will concern themselves with other priorities.

225. The JIU survey also found that apparently none of the oversight governing bodies in the United Nations system have their own staff, in contrast to the situation in various national governments. This is a clear handicap to governing body oversight: such staff could provide the governing bodies with independent analysis of operations, help them prepare effectively for policy discussions and performance reviews, and carry out independent follow-up of past programmes, initiatives, and Secretariat commitments. Instead, staff assistance to oversight governing bodies is provided by the secretariats of the organizations on a part-time basis. However helpful and knowledgeable such aid may be, it does not provide the independent perspective or in-depth analytical work which could greatly facilitate governing body oversight.

226. There are, however, other steps that governing bodies can take to enhance their operations and procedures to improve accountability and oversight of their respective organizations. They can establish subcommittees with special oversight (or audit) responsibilities, much-reduced (but still geographically distributed) membership, and a systematic agenda and more time to deal with oversight questions. They can rationalize procedures and deliberations (as in the efforts noted above). They can enhance their work by insisting on good documentation, up-to-date information flows, and effective use of

modern information technology from the secretariats. A central element of this information flow is governing body insistence on systematic, substantive performance and management reporting, which is discussed further below.

227. Another prerequisite to successful "governance" is that governing bodies fully accept their responsibilities for careful formulation of goals, missions, scope of services, organizational philosophy, and standards, as the framework in which secretariats operate. Successful performance and the search for "total quality management"by secretariats would be greatly facilitated if governing bodies would themselves attempt to practice "total quality politics". Such an approach would require that they:

(a) provide clear goals for programmes;

(b) regularly eliminate unnecessary procedural barriers and outdated legal mandates;

(c) maintain a legal and managerial environment which encourages results-oriented structures and approaches, and matches innovation and flexibility with accountability for results achieved; and

(d) make the required political decisions on priorities, and eliminate those programmes and activities with little impact.

228. A very pertinent example of this "performance approach" is the avoidance of "unfunded mandates" , i.e., establishing a new programme activity without estimating the cost involved and providing the resources required: the standard phrase in the United Nations system is calling on secretariats to carry out new tasks "within existing resources". This decision-avoidance practice creates management disorder by disrupting (or at least confusing) established programme priorities. Instead, governing bodies should identify clearly and precisely the resources required to properly implement a management reform or carry out a new task, in parallel with Secretariat obligations to use work plans, analyses, and standards to ensure that all resources, especially staff, are not subsequently under-utilized, misapplied, or wasted.

229. A final element of contention between governing bodies and secretariats is the problem of "micro-management," that is, where governing bodies involve themselves in the details of secretariat work. This habit reflects a long-standing atmosphere of distrust. Governing bodies and Member States should not attempt to guide or interfere in details of secretariat operations or to encumber managers in excessive red tape. At the same time, secretariats have no right to block or disparage governing body attempts to carry out their mandated oversight work, particularly since such actions may well reflect deep governing body frustration about the quality of existing management systems and actions which they perceive.

230. The key to resolving these micro-management problems is not to be found in struggles over details. Instead of focusing on day-to-day administration and individual decisions, both governing bodies and secretariats should concentrate on firm accountability, sound management and oversight processes, and much greater transparency to help ensure results and effective use of the funds provided.

B. Reporting and external review

231. The Inspectors believe that the most important means for enhancing the results and performance emphasis in governing body oversight of secretariat operations in the United Nations system is better reporting. Improved reporting is particularly needed because of

the difficulties, limited resources and time available, and slow pace of reform in governing body operations, as noted above.

232. Tables 13.A and 13.B in Part II of this report show a very wide variety of reports to oversight governing bodies on programme performance and on management initiatives and improvements:

(a) Perhaps the most useful and well-focused performance reports are the biennial reports of FAO, already issued for years in an evaluative context and recently revised to report on both programme evaluation and on programme implementation, plus biennial implementation reporting to FAO's four main technical committees;

(b) Several organizations, such as UNRWA, IAEA, ILO, UNESCO, UNIDO, and WIPO, have regular reports on programme implementation which are quite extensive and informative, but can also be rather overwhelming to the reader because of their length (several of these organizations are now working to streamline these performance reports);

(c) Other organizations, such as UNHCR, UNICEF, UPU, WFP, WHO, and WMO have annual reports by their executive head, which are quite readable but are less tightly focused on performance and are therefore less useful for oversight purposes;

(d) Still other organizations rely on a collection of performance or oversight reports, often in response to ad hoc requests from the governing bodies and varying from year to year, which may be or may not be of sound quality but which make systematic oversight difficult because of this irregularity;

(e) An increasing number of organizations have recently presented very informative reports to their governing bodies, often with external consultant participation, on management reforms, improvements and initiatives. Unfortunately, however, almost all the organizations do not yet supplement programme performance information with regular, systematic, analytical reporting to oversight governing bodies on management improvements, strategic planning and the management of change.

233. Present performance reporting quality can still leave much to be desired because of laxity on the part of both secretariats and governing bodies. A 1984 JIU report on reporting to ECOSOC cited the long-standing "crisis" in the role and functioning of ECOSOC, and traced much of it to technical difficulties, misunderstandings, and frustrations between the United Nations Secretariat and the intergovernmental organs. Part of the problem was a flood of documents: some 108 reports and 4,000 pages in 1983 of "pre-session" documentation alone. This documentation was not only voluminous, but too late, rather diverse, only partly summarized, too purely informative, and without recommendations. JIU concluded that this situation greatly hampered ECOSOC and its subsidiary bodies in policy formulation, co-ordination, and planning and programming, and required urgent corrective efforts.[132]

234. The Secretary-General agreed that too many Secretariat documents were more descriptive than analytical, did not always precisely identify key policy issues, and often lacked policy recommendations for governing bodies to consider. He also noted that while the Secretariat reports tended to rely cautiously on established views, intergovernmental bodies too often requested repetitive reports although there were no new developments, as a substitute for a search among members for compromise, concession and agreement. He endorsed JIU's conclusions and stated that efforts would continue to make documentation less descriptive and more analytical, highlight key policy issues and recommendations, and prepare more concise and consolidated reports.[133] Unfortunately, it seems that United Nations Secretariat reporting has since improved only slowly and in a

few instances, as attested to by sharp General Assembly criticism of the quality and responsiveness of reports on management matters submitted to it during 1993.[134]

235. The Inspectors believe that joint efforts by oversight governing bodies and secretariats of the organizations can best be strengthened by improved reporting on performance and results. While most of the suggestions made in this report are offered for the organizations' consideration in light of their specific circumstances, the Inspectors do recommend that each organization present a report each year (or at least a strong chapter in its major performance report) to its oversight governing body for discussion as a regular agenda item. The strategic planning unit called for in Chapter V should coordinate the preparation of this report or chapter, which would sharpen the authority, work and accountability of this unit as well. The report or chapter itself should concisely but substantively cover results, significant developments, and initiatives taken in the areas of accountability, management improvement, and oversight discussed in this report:

- as an overview, strategic planning and performance management developments;
- internal oversight units' work and achievements;
- internal controls;
- application of information technology;
- management development and training;
- management improvement programmes;
- participation in significant, relevant inter-agency activities;
- findings and actions on major recommendations made by the system-wide external oversight bodies; and
- related matters previously requested by the oversight governing body for assessment or follow-up.

236. The Inspectors believe that this proposed report is essential to focus and energize future accountability and oversight efforts in each organization. It should enable the secretariats and governing bodies to highlight the critical importance of good management. It should also allow all parties concerned to work seriously, jointly, and systematically toward a "high-performance" culture which stresses results, the wisest possible use of scarce resources, and a learning, constantly-improving organization.

237. The Inspectors would particularly note the second item in the list above: regular reporting to governing bodies on the work of internal oversight units. Such reporting should not cover details of individual reviews or investigations. Neither should it lead to "micro-management": all parties should focus on results, not process. However, reporting on the achievements and general findings of the internal oversight units would serve the very important purposes outlined in Chapter II.D: freeing these small units from their present "invisibility"; focusing on their cost savings and improvements achieved, recommendations implemented, priorities, and coverage; and giving organizational accountability and oversight processes much more credibility, transparency, and importance than they have had in the past. The newly-consolidated oversight units of the United Nations Secretariat provided a first, transitional annual report to the General Assembly in 1994[135] and cognizant officials in several other organizations also felt that such reports would be a useful impetus to both improved accountability and oversight in their organizations as well as to better governance.

238. Another important element is in the process of being added in many organizations: external assessments of, and reports on, the management systems and programmes of the organizations. Such reports can be made by consultant reviews commissioned by

governing bodies or by individual Member States, to supplement the work of the small system-wide external oversight bodies discussed in the preceding Chapter.

239. The CPC called in 1984 for evaluations of programmes by governments to supplement United Nations Secretariat work, and again in 1992 for independent external evaluation.[136] The United Nations Evaluation Manual states that intergovernmental bodies may undertake evaluations, or commission outside evaluators to make such reviews. The 1985 JIU survey of evaluation system-wide found that more than one-third of the organizations had had some type of external evaluation study made. JIU also urged this approach in its 1984 report on reporting to ECOSOC, suggesting that outside consultants be hired to assist CPC in programme assessment, or even that CPC have a permanent secretariat of its own. The Secretary-General strongly disagreed, however, citing procedural objections, and CPC was ambivalent on the issue.[137]

240. In a 1993 report to the General Assembly, the Secretary-General recommended that the Assembly endorse recommendations made by the Panel of External Auditors, and supported by the ACC, that potential donors of voluntary contributions to the United Nations system rely on the competence of the organizations and their normal audit arrangements. The Secretary-General had "consistently declined" increasingly frequent offers of voluntary contributions conditioned on donor audit access or on the conduct of management reviews by their representatives, as being incompatible with United Nations financial regulations on external audit. However, ACC and the Panel both felt that other external management reviews could be appropriate, as an exception, where they were approved in advance by the governing body concerned.[138]

241. Tables 14.A and 14.B in Part II of this report indicate that in the past few years the number and importance of these supplementary external reviews has increased. Member States have increasingly reviewed individual organizations (in addition, the Nordic United Nations Project Final Report already cited and a very extensive study prepared for the Government of Denmark [139] are good multi-agency examples). However, there has also been a significant increase in the number of assessments of organizational operations, structures, and management systems by international management consulting firms.

242. The Inspectors believe that this trend of Member State and international consultant reviews is a very welcome development. It provides fresh ideas and management thinking to invigorate and expand assessments of organizational and managerial performance and improvement needs, and to better inform governing bodies on these matters. Consultants also have considerable experience and expertise in areas which the organizations are only beginning to address, such as fraud investigation and risk assessment. Since these reports are usually commissioned by and made available to the governing bodies and other interested parties, they not only facilitate governing body oversight, but also contribute to the transparency and therefore the credibility of the organizations concerned. And if the organizations use such studies properly - participating actively in them while they are under-way, concentrating on "implementable" areas for action, and ensuring determined subsequent follow-up - they can be a vigorous additional force for better management and organizational effectiveness.

243. A further important external input comes from efforts by the organizations to engage in more dialogue with their clienteles. A recent report by UNDP as part of its change efforts is noteworthy,[140] as is an extensive evaluation made in 1990 by UNICEF of its external relations policies and functions.[141] And a 1993 report by the JIU on United Nations

system grassroots work with non-governmental organizations found that many organizations, such as UNICEF, UNDP, UNFPA, UNHCR, UNCTAD, FAO, the World Bank, WIPO, UNESCO, ILO and WIPO have extensive and regular consultations with these groups to discuss their operations and collaborative opportunities.[142]

244. The Inspectors believe that these elements - better performance reporting to governing bodies, external reviews made by governments or expert consultants, and consultations with other client groups or operational partners - provide very important additional ways for the organizations to demonstrate transparent and credible responses to the accountability, oversight, and "performance culture" responsibilities increasingly placed on the United Nations system.

245. Finally, the Inspectors were also impressed by the quality and vigour of the two-way dialogue on organizational change and strengthening (as shown by an overview of Tables 9, 12, 13 and 14 in Part II) that has been evolving between oversight governing bodies and Secretariats recently in such organizations as UNDP, UNEP, UNICEF, UNFPA, UNHCR, WFP, ICAO, IMO, ITU, UNESCO, and UNIDO, as well as the discussions now getting under-way in the United Nations Secretariat, the International Trade Centre UNCTAD/GATT, FAO, and UPU. This substantive and continuing dialogue on goals, strategic planning, results, and systematic improvement of organizational performance is the best guarantee the organizations can have of future organizational success on behalf of the peoples of the world whom, in the last analysis, all the organizations serve.

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